



Ministry of Trade and Industry

RWANDA AGOA ACTION PLAN

April 2016

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DISCLAIMER

The authors' views expressed in this report do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Foreword



The Ministry of Trade and Industry is pleased to present the AGOA Action Plan for Rwanda, which was prepared thanks to the valuable support of the United States Agency for International Development, through the East Africa Trade and Investment Hub.

The document, produced in close collaboration with the MINICOM, constitutes the road map that will allow Rwanda to harness the benefits brought about by the African Growth and Opportunity Act, recently extended until 2025. Most importantly, implementing the actions contained herein will enable Rwandan businesses to utilize the next nine years (until 2025) to become competitive and be able to sustain a position in the US market even after the end of AGOA.

Becoming competitive in an increasingly globalized world is no small task, especially for Rwanda as a landlocked country. That said, I wish to convey the assurances of the Ministry of Trade and Industry to engage with the private sector to overcome these challenges by introducing policy, technological and institutional innovations to address specific strategic constraints.

The Ministry of Trade and Industry is committed to take advantage of this opportunity offered by the AGOA renewal to build on existing trade programs by expanding the benefits into economic growth and prosperity for Rwanda.

Most sincerely,

François KANIMBA
Minister



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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
AgMRC	Agricultural Marketing Resource Center
AGOA	African Growth and Opportunity Act
ASTM	International American Society for Testing and Materials
C-TPAT	Customs-Trade Partnership Against Terrorism
CAGR	Compound Annual Growth Rate
CBP	Customs Border Protection
C&H	C&H Garment Company, Kigali EPZ
CIF	Cost, Insurance and Freight
CODEX	Codex Alimentarius Standards for Foods, Food Production and Food Safety
COMESA	Common Market for Eastern and Southern Africa
COTVET	Council for Technical and Vocational Education and Training (Ghana)
CPSC	Consumer Product Safety Commission
CSR	Corporate Social Responsibility
CTA	Cotton, Textiles and Apparel
CVC	Chief Value Cotton Fiber
CVS	Chief Value Synthetic Fiber
DFID	Department of Foreign Affairs and International Development
DHL	Deutsche Post DHL Group, Courier
EAC	East African Community
EAC+	East African Community plus Ethiopia, Madagascar and Mauritius
EEl	Electronic Export Information
EMC	Export Management Company
EPZ	Export Processing Zone
EU	European Union
FCA	Free Carrier
FCOJ	Frozen Concentrated Orange Juice
FDA	Federal Food and Drug Administration
FDI	Foreign Direct Investment
FedEx	FedEx Corporation, Courier
FOB	Free on Board
GCC	General Certificate of Conformity
GRAS	Generally Recognized as Safe by the FDA
GSP	Generalized System of Preferences
GDP	Gross Domestic Product
GI	Geographical Indication
GMID	Global Market Information Database
HACCP	Hazard Analysis Critical Control Point
HD&F	Home Decor & Fashion Sector
HS	Harmonized System
HTC	Harmonized Tariff Code
HTS	Harmonized Tariff Schedule
HTSUS	Harmonized Tariff Schedule of the United States
IFC	International Financial Corporation – World Bank
ITC	International Trade Centre – Geneva
ISO	International Standards Organization
Kg	Kilogram
KWH	Kilowatt Hour

L	Liter
LACF	Low-Acid or Acidified Canned Food
Lb.	Pound
LDC	Least Developed Country
LDBC	Least Developed Beneficiary Countries
MFN	Most Favored Nation
MINAFFET	Ministry of Foreign Affairs and Cooperation
MINAGRI	Rwanda Ministry of Agriculture and Animal Resources
MINICOM	Rwanda Ministry of Trade and Industry
MINICOFIN	Rwanda Ministry of Finance and Economic Planning
MININFRA	Ministry of Infrastructure
M	Million
MT	Metric Ton
NAEB	National Agriculture Export Board
NASFT	National Association for the Specialty Food Trade
NESI	Not Elsewhere Specified or Indicated
NIRDA	National Industrial Research Development Agency
NTB	Non-Tariff Barriers
OTEXA	Office of Textiles and Apparel
PGI	Protected Geographical Indication
PO	Purchase Order
PSF	Private Sector Foundation
R&D	Research & Development
RDB	Rwanda Development Board
RFQ	Request for Quote
ROE	Return on Equity
ROO	Rules of Origin
RRA	Rwanda Revenue Authority
RSB	Rwanda Standards Board
RT	Round Trip
SADC	Southern Africa Development Community
SF	Specialty Foods Sector
SQM	Square Meter
SME	Small and Medium-Sized Enterprises
SSA	Sub-Saharan Africa
SWOT	Strengths, Weaknesses, Opportunities and Threats
T&A	Textile & Apparel Sector
TCDC	Thailand Creative and Design Center
TCFP	Third-Country Fabric Provision
TFDA	Tanzania Food and Drug Authority
TFPIA	Textile Fiber Products Identification Act
TPOs	Trade Promotion Organizations
TRQ	Tariff Rate Quota
TSCA	Toxic Substance Control Act
UNIDO	United Nations Industrial Development Organization
UPS	United Postal Service, Inc., Courier
U.S.	United States (of America)
USAID	United States Agency for International Development
USD	United States Dollar
USDA	U.S. Department of Agriculture
USFDA	United States Food and Drug Administration



USITC	United States International Trade Commission
UTEXRWA	Textile Company in Kigali
VAT	Value Added Tax
WB	World Bank
WGSW	World Global Style Network
WRAP	Worldwide Responsible Accredited Production

I. EXECUTIVE SUMMARY

Background

Few countries among the African nations stand as poised for exceptionally accelerated economic growth as Rwanda. With key business enabling factors increasingly improving, the critical dimensions are now available for a thriving exports sector. This report concludes that Rwanda can continue to achieve sustained economic growth and progress toward poverty alleviation through exports under the African Growth and Opportunity Act (AGOA). The Rwanda AGOA Action Plan summarizes findings and recommended actions to take advantage of existing incentives, address constraints and seize available opportunities with a renewed market-driven mentality. This report aims at presenting the unique export opportunities for Rwanda to the U.S. market while also challenging all stakeholders to take firmer ownership of their role in engaging in export promotion activities.

This report systematically describes how investments in three priority sectors can lead to increased annual sales and new jobs in urban and rural areas. Attracting these investments will involve a number of policy changes, stronger coordination between the public and private sectors and a more effective approach to improving Rwanda's export readiness to compete with and eventually outperform its competitors. We consider the experience of Kenya and other countries in Africa to illustrate how their experience in favoring trade liberalization policies has resulted in a surge of local and foreign private sector investment. The upshot when comparing with other nations is that key policies in Rwanda are not yet aligned with a focus on exports.

The action plan was completed by the USAID-funded East Africa Trade and Investment Hub, which is designed to unleash the potential of the East African and U.S. private sectors to drive economic growth and transform the EAC+ into a vibrant trading partner that is connected to both regional and global markets. Within this context, the East Africa Trade and Investment Hub assisted Rwanda's Ministry of Trade and Industry in the design of the AGOA action plan presented in this document.

Key Findings and Recommendations

Despite Rwanda's low level of exports in the last few years compared to most of its regional partners, this action plan demonstrates that Rwanda can indeed increase exports as other land-locked countries like Lesotho and Swaziland have done. With a proposed action plan that discusses the "who, what, how and how much," a critical roadmap is provided to Rwanda's private, public and donor community stakeholders to expand exports to the U.S. in the most promising product sectors shown in the table below.

Annexes 1, 2, and 3 in this report present a market analysis for each of these products which outlines market size in the U.S., import requirements and competitive approaches for effective market penetration. Key information on the structure of these markets and how incumbent suppliers have changed and adjusted over the past decade are provided in simple, analytical capsules to illustrate the road ahead for Rwanda. Exporters are informed of the opportunities as well as the threats in this dynamic market where the chances for first-entrant advantages are hardly available anymore. Yet, riding on the experience of other countries is critical to move a number of Rwanda's exporters to the "early success" ranks in the selected product sectors.

a) Target products

Specialty foods	<ul style="list-style-type: none"> Banana chips Bottled honey Coffee, packaged and roasted Dried tropical fruit snacks (pineapple, banana, mango) Fruit juice concentrates Hot sauces Marmalade/jams/jellies of tropical fruits (pineapple, banana, mango, orange) Tea, processed and packaged Spices (ginger, pepper [genus Piper], anise or badian seeds, cinnamon) Macadamia nuts
Textiles & apparel	<ul style="list-style-type: none"> Medical scrubs Lab coats Coveralls T-shirts Linens
Home decor & fashion	<ul style="list-style-type: none"> Articles of leather, harness, travel goods and others Manufactures of plaiting material, basketwork and others Other made textile articles for home use, sets and others Jewelry with precious stones, metals, and special coins Works of art, collectors' pieces and antiques

b) Key constraints to increasing exports

The following constraints affect all export companies in the three target sectors. These constraints are summarized in this section, explained in greater detail in section 3.2 and further expanded in the annexes. They represent the fundamental challenges facing Rwandan companies in taking advantage of the vast new opportunities. These are constraints for export companies aiming at any market. Exporting to the U.S. under AGOA merely magnifies these challenges because of the need to address every aspect of competitiveness. The leadership of the public sector is urgently needed to ease most of these constraints while eliminating others. Companies interviewed remarked that they have been talking about these challenges for years. The AGOA opportunities outlined in this report may not be there in two or four years. Immediate action is recommended on the following key constraints.

Export taxes and delayed VAT tax reimbursements. Rwandan exporters currently pay duty taxes on imported inputs and raw materials ranging from 10 to 25% of value. In addition, value added tax (VAT) of 18% is charged to services provided to exporters as well as to the value of imported raw material. Interviewed companies complained that this rate is often higher than their profit thresholds and, even if these taxes are refundable by law, the current refund process at the Ministry of Finance may take up to six months. This action plan provides some approaches to the amelioration of this situation for exporters as many people interviewed fear the costs of this policy far exceed the benefits. As the public sector commits to a stronger support for exports as a national strategy, an in-depth evaluation to change this policy should be carried out.

Non-tariff barriers (NTB). One of the largest barriers is the limited awareness of simplified procedures for trade, due mainly to a lack of training of exporters' staff and service providers. Despite many positive aspects about doing business in Rwanda, the rules for exporting still need considerable streamlining. For instance, the Rwandan electronic single window should be an exporter's dream, speeding up the customs process by providing 12 transaction necessities in one location. But some exporters mentioned that up to eight documents are required for export even though customs authority representatives mentioned as few as three to four documents that may be required, depending on the sector. The public sector has a greater role to play in finding a solution to this issue.

High cost and unreliable supply of energy and water. Companies in the three selected sectors complained about the high cost of electricity in Rwanda. Frequent power interruptions in some areas force factories to use fuel generators—a necessity that increases their energy costs. In the case of water, the rate paid for water for industrial use in Rwanda is \$0.75 per m³. This is also a higher rate than regional competitors such as Kenya (\$0.58/kWh), Uganda (free) and Tanzania (\$0.50/kWh). The public sector may consider meeting with its Tanzanian, Ugandan and Kenya counterparts to understand their cost structures and identify ways to provide Rwandan exporters similar market conditions for these crucial services for export.

Freight costs need to be more competitive. All exporters agreed that Rwanda faces some of the highest cargo costs in the region and the extended time for the shipments seriously affect exports to distant markets like the U.S. The lowest cargo freight cost is a multimodal approach by road and sea; prices depend on product type and volume, as discussed in section 3.2. The duration time is on average 30-45 days. This rate is extremely high but is still lower than shipping by air, which is typically priced at four to five times that of road transport and twelve to sixteen times of sea transport. This report provides specific costs comparisons across countries and delves into possible approaches to negotiate better rates. This is a major constraint to exports and needs to be addressed jointly by the public and private sectors. This report offers detailed ideas on how to approach cargo service providers.



Addressing difficulties with competing on quality. Although there are very few exceptions, most export operations have weak quality assurance systems in place. Sales to the domestic market in the three sectors do not require strict quality control, unlike exporting to the U.S. or Europe. Many processed food products have low-quality presentation, packaging and labels. In many of the apparel and artisanal enterprises, the qualifications of the production staff in charge of quality were insufficient for the U.S. market. Local fabric quality is below U.S. standards, an issue that can be solved through third-country fabric imports. Although the public sector can help, the private sector needs to take a stronger, firmer ownership of this challenge and generate solutions to address it.

Limited skills for better export marketing and specialized production. There are no training programs oriented to prepare Rwandan exporters to better market their products and adjust to specialized production demands. The Rwanda Development Board (RDB) is the only organization that provides specialized short-term training and workshops on basic topics related to exports. But training needs to be modernized and incorporate more active and experiential learning. Training efforts should be better supported by the public and private sectors combined with other programs to include a focus on the U.S. market. Section 3.1 provides more details on these challenges and how to elucidate joint solutions.

Need for expanded research and development (R&D) activities. This is necessary to create unique products and attract better prices. There are a few small research projects conducted by individuals at some universities and other entities, but the majority of research projects are oriented to the domestic market and not linked to business and identified opportunities. Section 3.1 delves further into these challenges and sets the stage to discuss alternative solutions while some case studies and best practices from formidable competitors around the world are presented in the annex.

Action Plan to Increase Exports

The action plan focuses on emphasizing Rwanda's competitiveness assets to take over markets. Rwanda should keep in mind, though, that it is not alone in this ambition. Key labor and investment environment advantages can be lost when compared with top-flight competitors with a better angle at the U.S. market, particularly those with better geographic advantages. These action recommendations are aimed primarily at competing in cost and quality for which underlying limiting factors need to be addressed, but sizable investments in productive capacity are also necessary. The current trade arena demands investments and



technology from all competitors fighting for every square meter of market space. If implemented effectively, the action plan can result in significant increases in annual sales and new jobs for Rwanda's rural and urban areas.

a) Estimating investment levels needed to boost exports

Investment estimates to boost exports in each of the three target sectors were discussed with interviewees but have to be substantiated by value chain benchmarking against other successful models in the region (e.g., Ethiopia, Kenya) and beyond. As this process is extremely time- and industry-specific, any investment figures generated will also need to be adjusted to the changing nature of the following conditions.

- Prices in the U.S. import market staying attractive to Rwandan exporters.
- Rwandan companies achieving adequate export capacity, meeting U.S. import requirements and consolidating their business position in the U.S. market with a long-term vision.
- U.S. buyers increasingly purchasing Rwandan products in the three sectors as a result of their satisfaction with the quality and quantity of the export supply.
- No major occurrence of negative events such as natural disasters (e.g., Ebola and other diseases), RWF currency volatility, or significant loss of political stability taking place.
- Steady progress towards the proposed action plan being achieved to secure investments and address major threats to export development.

b) Estimating impact of investments

As investment figures are confirmed and substantiated for specific industries and businesses in each of the three target sectors, the expected benefits for the Rwandan economy should be calculated in terms of increased sales and new jobs generated. Initial impact estimates discussed with all three selected sectors look promising. The three sectors are labor-intensive with textiles and apparel industries having the highest potential to employ women—an important aspect for the Rwandan economic development agenda. Moreover, participating companies in the specialty foods business are expected to positively affect the overall economy with new direct and indirect jobs in the agricultural and service-related sectors. Furthermore, an important aspect of specialty foods is the benefit to the rural areas where basic production can favor the farming community and provide job alternatives for the rural youth. Finally, interviewed home decor and fashion businesses in Rwanda agree that the necessary investments in dyeing, knitting, soldering and in a business incubator have the potential to generate significant annual exports while creating new full-time jobs. As in the textile and apparel sector, this is another promising sector for the involvement of women and the professionalization of a resilient handicrafts sector with strong potential to meet U.S. quality, volume, cost and delivery standards.

The Way Forward for Immediate Implementation

This action plan represents the joint vision of all participating stakeholders to push Rwanda forward in its pursuit to expand its exportable supply and generate further national economic prosperity. Investing in the three product sectors presented should motivate Rwanda to improve its exports enabling environment, but opportunities for Rwanda are available beyond these product categories. In every instance, though, markets will be equally contested—even those considered novel or niche products. The action plan calls for policy changes and investments that will improve Rwanda's export platform for products and services as a solid export promotion strategy. It will require effective coordination as well as adequate resources, but mainly the commitment from the public sector to address changes that can be done fast and immediately unleash the potential of a critical number of companies. The authors are convinced that full-time, highly qualified staff at MINICOM and the RDB can make that happen.



In terms of its overall implementation and marshaling of resources, MINICOM may be best suited to provide action plan coordination, particularly as the dialogue on actions that will favor the export sector development over the coming decades become policy. RDB can implement all activities with export companies as well as U.S. market information, training and specialized technical assistance.

Other important players involve RSB, to strengthen quality systems and standards application, and NAEB and universities, to provide support for selected food products. Finally, little will be accomplished unless PSF's scope of work and capacity can be increased to organize groups of exporters to shape spatial patterns of urban and rural economic growth associated with exports in coordination with short-term programs financed by donors.

Effective export strategies in successful countries have found a way to combine the strengths of the competitive private sector with effective public actions. Stakeholders should keep in mind there are even greater opportunities if Rwanda can do the same.

2. OVERALL CONTEXT

2.1 Country Overview – Rwanda

Rwanda's long-term development goals—officially titled “Vision 2020”—seek to transform the country from a low-income, agriculture-based economy into a knowledge-based, service-oriented economy with a greater proportion of the population in middle-income status. In order to achieve these goals by 2020 (less than four years away!), Rwanda's growth targets are a 4.6% annual increase in per capita GDP and a 15% growth per year in investments and exports.

Currently, Rwanda's exports are dominated by agricultural and mining products. Among its agricultural products, coffee and tea are by far the leading exports. In the mining sector tin, coltan, wolfram and cassiterite are listed as the main products. Rwanda's main export destinations are China, Germany, the East African Community (EAC) and the U.S. During the last few years, Rwanda has been a net importer, accumulating consistent trade and current account deficits. Its imports are mainly food products, machinery and equipment, construction materials, petroleum products (gasoline, diesel fuel, solvents, etc.) and fertilizers.

Rwanda's recent economic profile looks very promising. In 2015, Rwanda's GDP growth forecast was 7.5%, higher than many other countries in the region and in the developing world. Agriculture accounted for one third of GDP, 73% of the employment, and almost 70% of exports. Available data shows Rwanda meets 90% of its internal food needs. Mining and industry represented 16% of GDP (2014), and generated 12% of employment and 30% of exports. Services are around 45% of GDP and 15% of employment.

In addition, Rwanda has one of the most favorable business environments in Africa and reasonable economic stability. However, Rwanda has the disadvantage of being landlocked with a small domestic market that does not yet attract foreign investors. According to Heritage Foundation's 2015 Index of Economic Freedom, Rwanda's economic freedom score is 64.8. Rwanda received the same score the previous year despite having shown improvements in half of the 10 economic freedoms evaluated (including freedom from corruption and freedom in trade). Reports indicate this score was undermined by a decline in business freedom. Still, Rwanda is ranked fourth out of 46 countries in the sub-Saharan Africa region (after Mauritius, Botswana and Cape Verde), and its score exceeds the world average.

2.2 Background

This report provides the action plan for the Rwanda National AGOA Strategy to increase exports to the U.S. It covers three sectors: textiles & apparel, home decor & fashion and specialty foods. The list of twenty selected products in these sectors shown below hold high potential for export to the U.S under the AGOA trade agreement. As noted above, this list of products was selected based on a demand analysis informed by expert opinion, available trade data and key interviews with suppliers and buyers.

The development of the strategy action plan in the three sectors involved a market analysis, a high-level conceptual competitiveness assessment and the findings of interviews from 41 companies in Rwanda and 16 buyers in the U.S., as well as the validation of proposed sector actions with Rwandan stakeholders.

Table I. Sectors and products selected in the Rwanda National AGOA Strategy Action Plan

Specialty foods	<ul style="list-style-type: none">• Banana chips• Bottled honey• Coffee, packaged and roasted• Dried tropical fruit snacks (pineapple, banana, mango)• Fruit juice concentrates• Hot sauces• Marmalade/jams/jellies of tropical fruits (pineapple, banana, mango, orange)• Tea, processed and packaged• Spices (ginger, pepper [genus Piper], anise or badian seeds, cinnamon)• Macadamia nuts
Textiles & apparel	<ul style="list-style-type: none">• Medical scrubs• Lab coats• Coveralls• T-shirts• Linens
Home decor & fashion	<ul style="list-style-type: none">• Leather articles, harnesses, travel goods and others• Manufactures of plaiting material, basketwork and others• Other manufactured textile articles for home use, sets and others• Jewelry with precious stones, metals, and special coins• Works of art, collectors' pieces and antiques

2.3 Overview of the African Growth and Opportunity Act (AGOA)

The U.S. Congress enacted AGOA in May 2000; in June 2015, Congress extended the program through 2025. AGOA provides trade preferences for duty-free entry into the United States for 6,400 products exported from Africa's eligible countries. By expanding the benefits under the Generalized System of Preferences (GSP), AGOA includes important sectors such as apparel and textiles, catapulting small and medium-sized companies (SMEs) into profitable export ventures with the potential to generate hundreds of thousands of jobs. Two countries in West Africa, Nigeria and Angola, hold the majority share of total exports under AGOA, while in the East African Community + (EAC, Ethiopia, Madagascar and Mauritius) Kenya and Ethiopia have so far benefited the most. In southern Africa, an increasing number of countries, including South Africa (the main AGOA exporter), Swaziland and Lesotho, consider AGOA trade conditions of critical importance for their export industries.

U.S. imports from AGOA beneficiary countries represent a small share (1%) of total U.S. imports and are largely concentrated in energy-related products. Among non-energy products, apparel is the top export for a number of AGOA countries. U.S. apparel imports typically face relatively high tariffs and are excluded from duty-free treatment in the GSP. Including apparel under AGOA's duty-free status gives beneficiary countries a significant competitive advantage over other apparel producers and exporters around the world.

U.S. imports from SSA under AGOA are heavily concentrated in a few countries. Excluding energy products, U.S. AGOA preferential imports from South Africa—the largest beneficiary—totaled \$1.7 billion in 2015. Other top, non-energy exporters in 2015 were the major apparel producers: Kenya (\$433 million), Lesotho (\$310 million), Mauritius (\$217 million), Ethiopia (\$47 million) and Malawi (\$41.3 million). Aside from these top countries, however, the preferences were not heavily utilized. U.S. AGOA preferential imports were less than \$1 million for over half of the 30 AGOA beneficiary countries in 2015, including Rwanda.

Some African countries have used the textile and apparel sectors as potential economic growth engines following the success stories of South and Southeast Asia. Even though some African countries do not have strong textile industries, they are able to use the third country fabric provision (TCFP) which allows less developed AGOA beneficiary countries to utilize fabric manufactured anywhere in the world. This provision can be applied unless the fabric is designated as in “abundant supply” within sub-Saharan Africa.

2.4 Rules of Origin (ROO) for AGOA Products

Products from AGOA countries must meet certain ROO requirements in order to qualify for duty-free treatment (see the textiles and apparel section for sector-specific rules of origin).

Duty-free entry is only allowed if the article is imported directly from the beneficiary country into the U.S. At least 35% of the appraised value of the product must be the “growth, product or manufacture” of a beneficiary developing country. This is defined by the sum of (a) the cost or value of materials produced in the beneficiary developing country (or any two or more beneficiary countries that are members of the same association of countries and are treated as one country for purposes of the U.S. law), plus (b) the direct costs of processing in the country. Up to 15% of the required 35% of the appraised value may be of U.S. origin and any amount of production in other beneficiary SSA countries may also contribute to the value-added requirement (known as regional accumulation).

2.5 Rwandan Exports to the U.S. and Results Under AGOA

Compared with previous years, exports to the U.S. have increased significantly in 2015 to \$45.6 million from \$21 million in 2010. This leap in export value is especially attributed to the categories of coffee, minerals and other manufacturing products. Nevertheless, this amount is small compared with the exports of other African countries to the U.S.

Although annual exports of most categories of manufactured products are still less than \$300,000, exports of some items such as handbags, baskets, fashion accessories and apparel products (which showed minimal exports in 2012 and 2013) have started to increase in 2014 and 2015. See Table 2 below.

Table 2. All U.S. imports from Rwanda

HTS Number	Import program	2010	2011	2012	2013	2014	2015
		<i>(In thousands of dollars)</i>					
07 Edible vegetables and certain roots and tubers	GSP	0	7	0	14	0	3
08 Edible fruit and nuts; peel of citrus fruit or melons	AGOA (excluding GSP)	0	0	0	0	96	248
09 Coffee; tea; mate; spices	No program claimed	18,675	27,868	22,805	16,929	23,822	23,713
Product undetermined	GSP	0	0	0	0	0	3
11 Milling industry products; malt; starches; inulin; wheat gluten	No program claimed	0	7	0	4	7	25
Product undetermined	GSP	0	0	0	0	4	19
Subtotal - 11 Milling industry products; malt; starches; inulin; wheat gluten		0	7	0	4	11	43
13 Lac; gums; resins and other vegetable saps and extracts	No program claimed	702	1,670	5,640	3,435	850	2,105

HTS Number	Import program	2010	2011	2012	2013	2014	2015
		(In thousands of dollars)					
15 Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	GSP	0	0	0	0	13	5
19 Preparations of cereals, flour, starch or milk; bakers' wares	GSP	0	2	0	8	10	11
20 Preparations of vegetables, fruit, nuts, or other parts of plants	GSP	0	0	0	0	0	10
26 Ores, slag and ash	No program claimed	1,073	0	3,947	2,518	14,649	17,855
Product undetermined	GSP	215	194	0	448	0	0
Subtotal - 26 Ores, slag and ash		1,288	194	3,947	2,965	14,649	17,855
29 Organic chemicals	No program claimed	0	0	0	0	20	110
32 Tanning or dyeing extracts; tannins and derivatives; dyes, pigments and other coloring matter; paints and varnishes; putty and other mastics; inks	GSP	0	0	0	0	0	11
33 Essential oils and resinoids; perfumery, cosmetic or toilet preparations	No program claimed	0	0	0	6	4	33
34 Soap, etc.; lubricating products; waxes, polishing or scouring products; candles, etc., modeling pastes; dental waxes and dental plaster preparations	No program claimed	4	0	0	0	0	0
39 Plastics and articles thereof	No program claimed	2	0	0	0	2	0
42 Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of gut (other than silkworm gut)	No program claimed	20	54	73	79	198	242
Subtotal - 42 Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of gut (other than silkworm gut)		25	54	73	80	201	251
44 Wood and articles of wood; wood charcoal	GSP	3	0	0	2	3	0
46 Manufactures of straw, esparto or other plaiting materials; basketware and wickerwork	GSP	330	371	335	267	298	178
Product undetermined	No program claimed	200	185	57	48	64	166
Product undetermined	AGOA (excluding GSP)	5	17	8	9	5	4
Subtotal - 46 Manufactures of straw, esparto or other plaiting materials; basketware and wickerwork		535	573	400	325	367	348
49 Printed books, newspapers, pictures and other printed products; manuscripts, typescripts and plans	No program claimed	82	107	125	139	128	113
56 Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	No program claimed	0	0	0	0	1	0
61 Articles of apparel and clothing accessories, knitted or crocheted	GSP	0	0	0	0	0	1

HTS Number	Import program	2010	2011	2012	2013	2014	2015
		(In thousands of dollars)					
Product undetermined	No program claimed	0	108	0	0	0	0
Subtotal - 61 Articles of apparel and clothing accessories, knitted or crocheted		0	108	0	0	0	1
62 Articles of apparel and clothing accessories, not knitted or crocheted	AGOA (excluding GSP)	0	0	0	0	83	174
Product undetermined	No program claimed	0	43	11	2	51	19
Subtotal - 62 Articles of apparel and clothing accessories, not knitted or crocheted		0	43	11	2	134	193
63 Made-up textile articles NESI; needlecraft sets; worn clothing and worn textile articles; rags	No program claimed	2	1	0	0	18	15
Product undetermined	GSP	0	0	1	0	1	0
Subtotal - 63 Made-up textile articles NESI; needlecraft sets; worn clothing and worn textile articles; rags		2	1	1	0	19	15
64 Footwear, gaiters and the like; parts of such articles	No program claimed	0	39	0	0	0	0
65 Headgear and parts thereof	No program claimed	0	0	0	0	10	0
70 Glass and glassware	GSP	0	0	0	0	3	57
71 Natural or cultured pearls; precious or semiprecious stones; precious metals; precious metal-clad metals, articles thereof; imitation jewelry; coin	No program claimed	40	91	37	11	51	82
Subtotal - 71 Natural or cultured pearls; precious or semiprecious stones; precious metals; precious metal-clad metals, articles thereof; imitation jewelry; coin		45	97	70	44	162	144
79 Zinc and articles thereof	GSP	0	0	0	0	0	2
81 Base metals NESI; cermets; articles thereof	No program claimed	0	0	0	332	0	0
84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	No program claimed	10	0	0	0	0	0
85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television recorders and reproducers, parts and accessories	No program claimed	2	0	0	12	0	5
90 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	No program claimed	0	0	0	5	0	0
94 Furniture; bedding, cushions etc.; lamps and lighting fittings NESI; illuminated signs, nameplates and the like; prefabricated buildings	0	0	0	0	0	0	1
Subtotal - 94 Furniture; bedding, cushions etc.; lamps and lighting fittings NESI; illuminated signs, nameplates and the like; prefabricated buildings		0	0	0	0	0	2

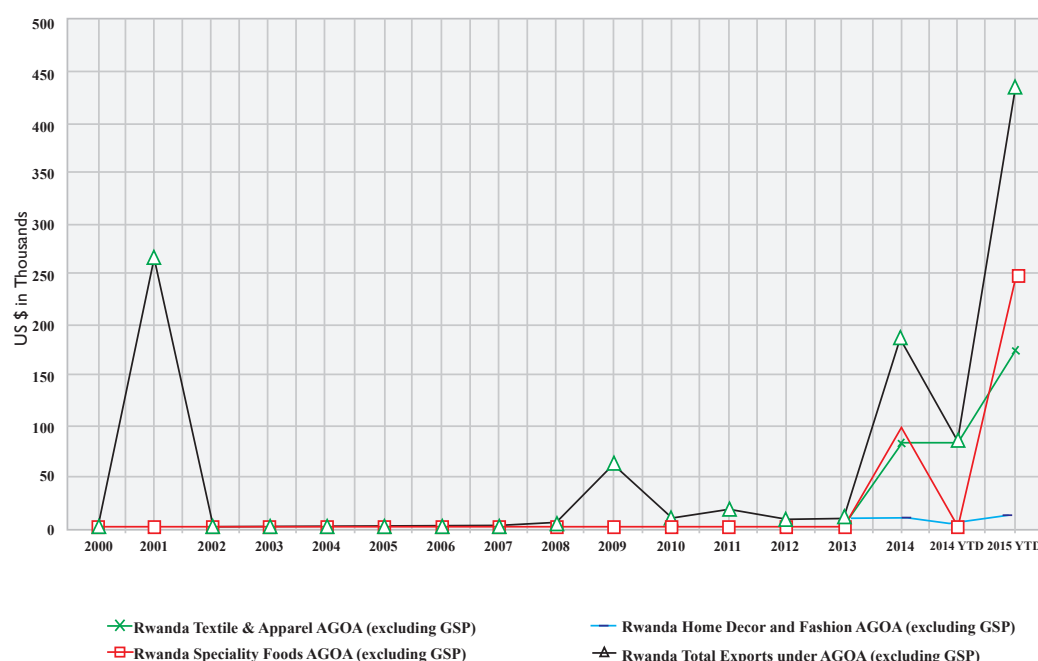
HTS Number	Import program	2010	2011	2012	2013	2014	2015
		<i>(In thousands of dollars)</i>					
prefabricated buildings							
95 Toys, games and sports equipment; parts and accessories thereof	No program claimed	4	0	2	27	9	0
97 Works of art, collectors' pieces and antiques	No program claimed	22	10	40	12	48	19
98 Special classification provisions NESI	No program claimed	41	10	137	48	65	238
99 Special import reporting provisions NESI		50	68	35	31	36	88
Subtotal Rwanda		21,491	30,858	33,287	24,422	40,664	45,625
Total		21,491	30,858	33,287	24,422	40,664	45,625
Source: United States International Trade Commission							

Rwanda has AGOA and GSP eligibility as a least developed country (LDC). Rwanda is also favored by AGOA's third country fabric provision for textile & apparel exports to the U.S. With these provisions in mind, the following graph and table illustrate the evolution of all AGOA Rwandan exports to the U.S. and for the three selected sectors since the year 2000. Although the amounts are small, it can be observed that since 2014 AGOA exports have started to grow, especially in apparel and macadamia nuts (both are included in AGOA).

From 2002 to 2012 Rwandan exports to the U.S. under AGOA were very low, with several years of zero exports under the program. 2013 exports under AGOA were only \$9,000 but, in 2014, U.S. imports from Rwanda under AGOA spiked to \$187,000 (according to the USITC). Rwandan exports under AGOA more than doubled from 2014 to 2015, reaching \$435,000 in 2015 (not including exports under GSP). This growth was driven largely by exports of apparel and macadamia nuts.

Figure I. Rwandan exports under AGOA

Rwanda Exports Under AGOA



Source: United States International Trade Commission (USITC)

Table 3. Rwandan exports under AGOA

HTS Number	2011	2012	2013	2014	2015
	<i>(In thousands of dollars)</i>				
62043220 Women's or girls' suit-type jackets and blazers, of cotton, not knitted or crocheted, under 36% flax	0	0	0	8	0
62044230 Women's or girls' dresses, not knitted or crocheted, of cotton, NESI ¹	0	0	0	36	70
62044340 Women's or girls' dresses, not knitted or crocheted, of synthetic fibers, NESI	0	0	0	16	0
62045220 Women's or girls' skirts and divided skirts, not knitted or crocheted, of cotton, NESI	0	0	0	9	89
62063030 Women's or girls' blouses and shirts, not knitted or crocheted, of cotton, NESI	0	0	0	12	14
62114200 Women's or girls' track suits or other garments NESI, not knitted or crocheted, of cotton	0	0	0	2	0
Subtotal Apparel	0	0	0	83	174
08026200 Macadamia nuts, shelled	0	0	0	96	248
Subtotal Specialty Foods					
42022190 Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, NESI, over \$20 ea.	0	0	0	0	1
42029245 Travel, sports and similar bags with outer surface of plastic sheeting	0	0	0	0	8
42029990 Cases, bags and similar containers, NESI, with outer surface of vulcanized fiber or of paperboard	0	0	0	3	0
46021925 Luggage, handbags and flat goods, whether or not lined, of palm leaf, NESI	0	3	0	0	0
46021929 Luggage, handbags and flat goods, whether or not lined, made from plaiting materials, NESI	17	5	9	5	4
Subtotal Home Decor & Fashion	17	8	9	8	13
Total	17	8	9	187	435
SOURCE: U.S. International Trade Commission					

A few Rwandan exporters, mainly of crafts, have also exported under the GSP, as shown in Table 2. To date, AGOA's impact has been minimal due to lack of abilities and resources for exploiting preferences for a wider range of products. Among the causes identified during field interviews were the lack of export marketing skills, investment capital and other resources to increase production in the short term, competitive transportation costs to the U.S., production skills and access to technology to meet U.S. import requirements. These challenges are further addressed in Chapter 3.

¹ NESI is short for "not elsewhere specified or indicated" in Harmonized Tariff Schedule

2.6 Business Investment Climate and the Competitive Environment

The following paragraphs describe important qualifications for Rwanda as a country welcoming of new business and investment.

Figure 2. Jobs created in Rwanda 2009–2014

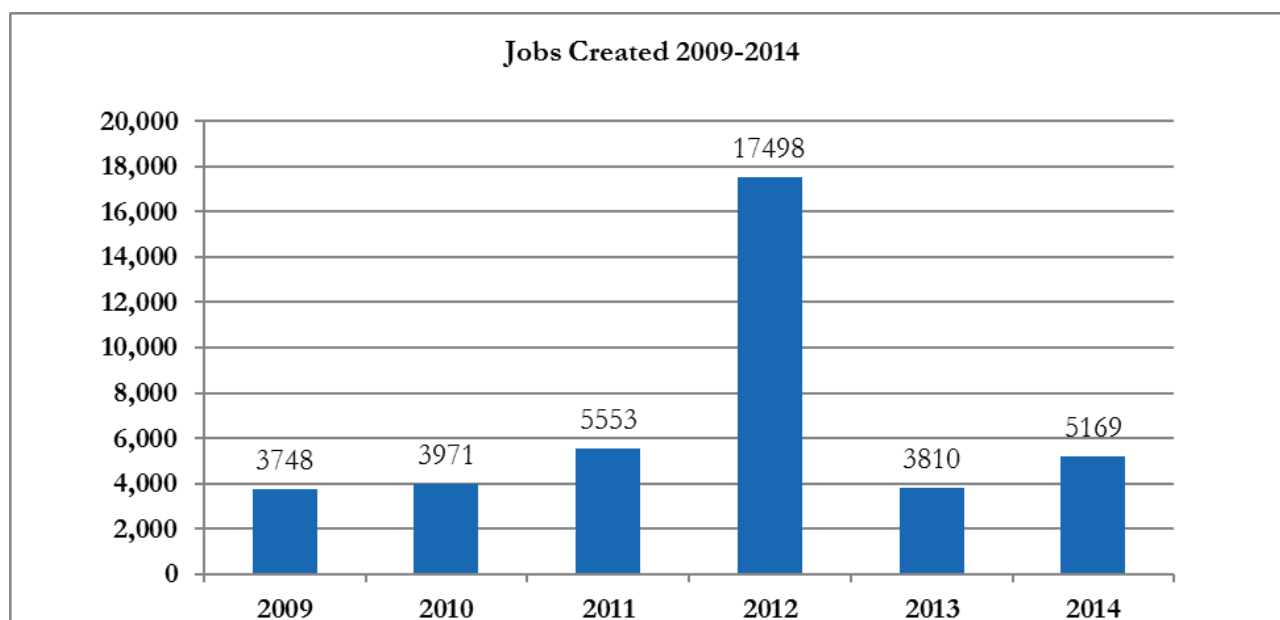
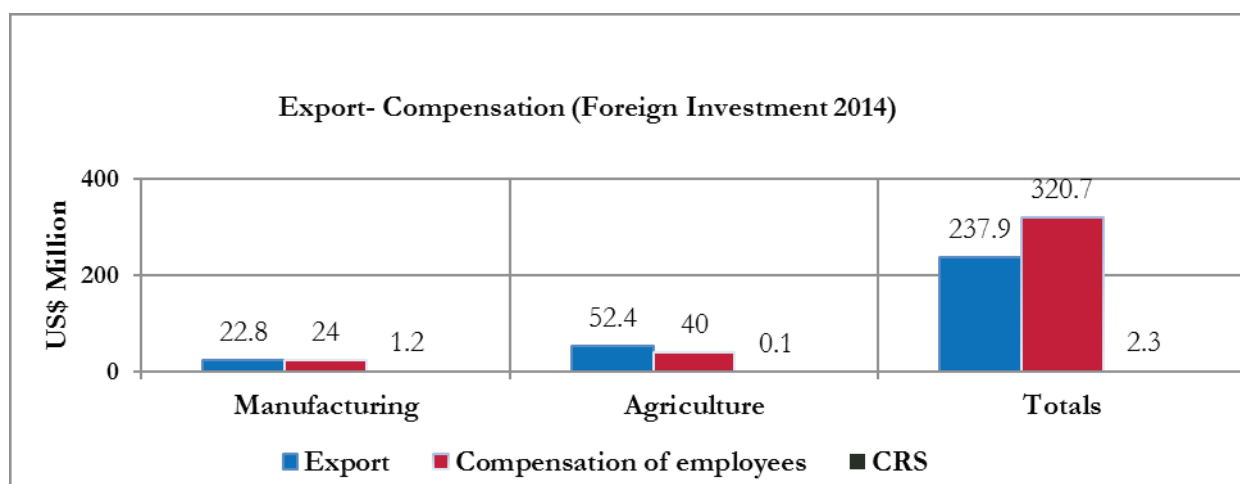
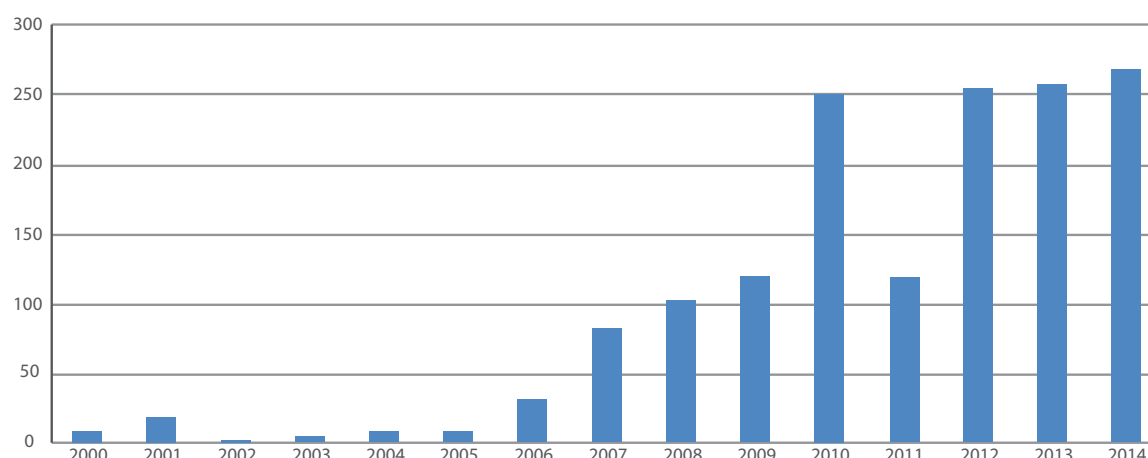


Figure 3. Exports compensation 2014



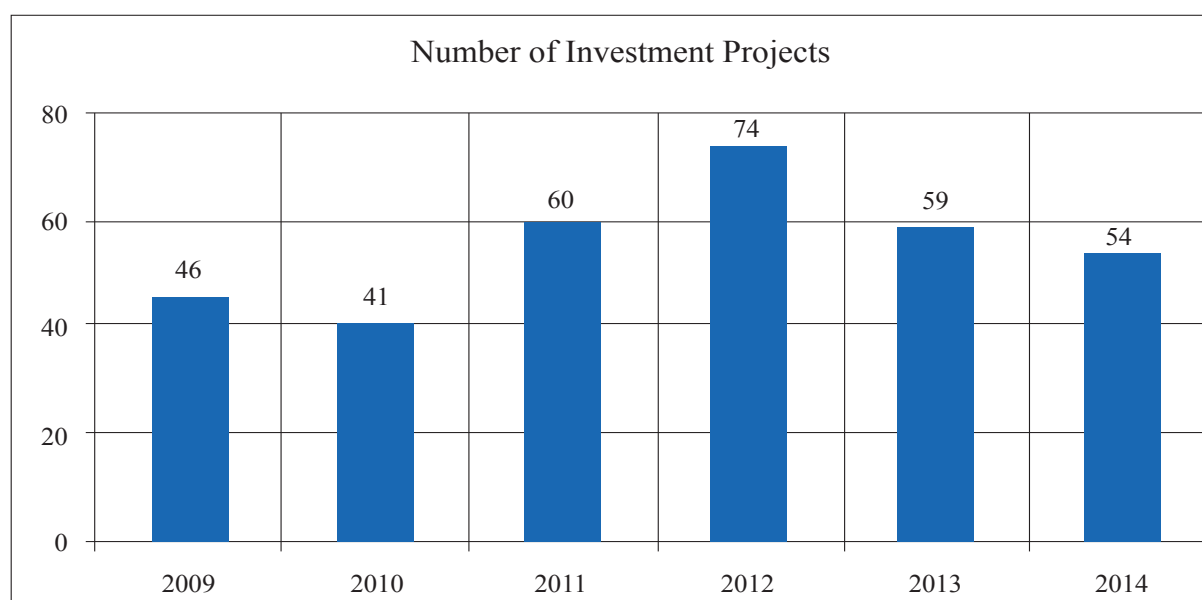
Country competitiveness ranking. Rwanda's competitiveness is ranked 62nd out of 144 countries in the 2015–2016 edition of the Global Competitiveness Report published by the World Economic Forum. Currently, the industrial sector contributes 15% of GDP. Vision 2020 targets require the share of industry to increase to 26% of GDP. This means achieving at least 12% growth per year. It is unlikely that Rwanda will be able to achieve this target with local investment alone. Meeting this goal will require the country to access considerably higher amounts of foreign direct investment (FDI).

Figure 4. Rwanda FDI 2000–2014



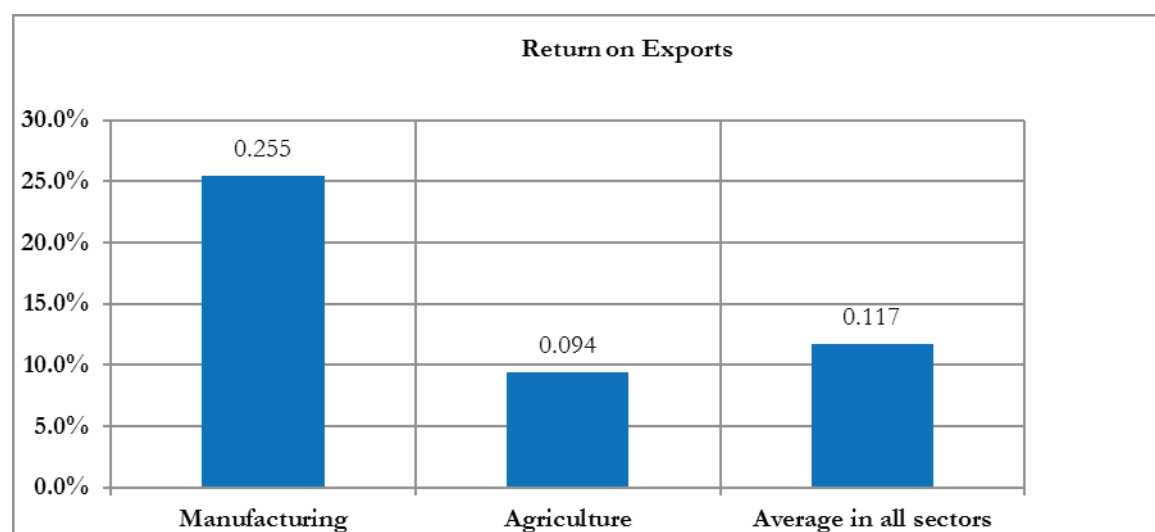
Rwanda is ranked as the second easiest place to do business in SSA. The favorable business environment and investment promotion efforts by the government have achieved an average of 60 investment projects per year. The majority of these investments were in the mining (38%), services (29%), manufacturing (25%) and agriculture (8%) sectors. Yet these qualifications have not materialized into higher growth in levels of investment like in the case of other countries in the region such as Kenya. Case in point: Rwanda Development Bank (RDB) reports an FDI of \$267 million in 2014, which is about the same level for the previous three years, as shown in Figure 4. In terms of employment, export generation and contributions through corporate social responsibility, these new investments are important for the economy, but they are still too limited compared with the levels necessary to sustain the required economic growth to achieve the targets laid out in Vision 2020.

Figure 5. Number of investment projects; Source: Rwanda Development Board



² Rwanda's business visas at the Embassy in the U.S. are granted in four to ten days, and the cost is significantly higher than for tourist visas. Potential investors from visa-required countries should not be penalized. The best practice is to issue an immediate visa (within one hour, maximum) and at the same cost as a tourist visa. Also, applying for a visa extension at the Immigration Office in Rwanda is a time-consuming process fraught with delays. These practices are not aligned with an investor-attracting strategy.

Figure 6: Return on exports (ROE)



Ease of doing business ranking. Ease of doing business rankings in Rwanda have improved from 150th position in 2008 to 62nd position in 2016 out of 158 countries. However, poor infrastructure and the lack of access to electricity (and limited generation capacity) have been some of the major constraints to private investors. The Government of Rwanda has implemented numerous reforms to improve its business environment and reduce the cost of doing business, but this is an ongoing process.

Corruption Perceptions Index. Rwanda scored 54 points out of 100 on the 2015 Corruption Perceptions Index reported by Transparency International. A country or territory's score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean). It is commendable that Rwanda is perceived as the fourth least corrupt country in Africa (after Botswana, Seychelles and Cape Verde).

Attractive level of ROE. Return on equity (ROE) for FDI in all sectors was on average 11.7% in 2014. This is an attractive, above-average level of ROE for investors. Although, investments in agriculture had the lowest level of ROE (9.4%), the manufacturing sector had a significant ROE of 25.5%. Despite its business-friendly reputation and high ROE, Rwanda lagged behind in total FDI in 2014 compared to some of its East African neighbors such as Kenya (\$989 million), Uganda (\$1.146 billion) and Tanzania (\$2.14 billion). While this comparison is not absolutely fair given the size of those economies compared to Rwanda, it helps to see FDI proportions in neighboring economies.

³ Rwanda dropped to 62nd in 2015 from 55th in 2014. This drop was partly caused by a change of methodology in the World Bank's Doing Business 2016 Report.

⁴ Investments in agriculture are considered riskier than in other sectors due to climate- and other nature-related factors. These investments usually have a low ROE during the first years, but this increases as soon as the production reaches maturity level. For example, a fruit tree takes four or more years on average to yield the first harvest.

3. STRATEGIC ISSUES AND CHALLENGES

3.1 Challenges

- A. Except in very few cases, Rwandan companies have not established business relationships with buyers in the U.S.** Establishing genuine business relationships is a process that must be done consistently as executives and business contacts in U.S. firms change jobs and positions. Cultivating business reputation and trust with buyers is an ongoing activity that requires effort and time. This is true especially when exporters are new to the market. The best promotional strategy is to provide realistic expectations of quality and volume for buyers. For example, Rwandan companies embarking on export missions and trade shows should promote what is available without overpromising. Under-delivering or not delivering the goods at all damages Rwanda's reputation among existing and potential buyers.
- B. U.S. business' lack of awareness and knowledge of Rwanda as a potential supplier.** Most U.S. buyers are not aware of the existing supply and potential of Rwanda's AGOA-eligible products. U.S. buyers know little about the quality of products and Rwanda's other capabilities for making it an investment and sourcing destination in the three sectors selected.
- C. Need to expand export supply.** The basis of competitiveness lies in the export enterprise. In Rwanda there are very few large enterprises that can benefit from economies of scale and the small and medium enterprises (SMEs) need to improve in all areas of capacity as well as expand and consolidate export supply. Currently, there are few exporters (220) and export products in Rwanda. Most companies are at the early stage of export development and are not able to deliver a full 40' container in the short term.

At the current size of the export industry, Rwanda does not have a critical mass of firms to sustain and diversify exports to reach the Vision 2020 goals. Compared with other LDC countries with similar levels of population, Rwanda needs to encourage more of its population to enter the export market if it is to reach the desired \$3 billion to \$5 billion in exports per year. That can only be achieved with new firms and investors that can bring the required set of resources for export growth. This will call for substantial threshold investments in different forms of capital as discussed ahead and in the recommendations sections of this report.

- D. Few qualified export managers and limited fluency in English.** The export sector in Rwanda is still in the early process of development. There are approximately 220 exporters in all sectors of the economy. Most are SMEs that generally sell in the neighboring countries. There is a lack of qualified export managers with the necessary skills to understand international business. In many cases, foreign language skills (especially English) are not present which constitutes a major limitation in export expansion.

⁵ There is no central database or unified registration of exporters. RDB and other entities have different numbers of exporters, but MINICOM estimated the number of active exporters at around 220. Also, due to the lack of a systematic collection of information on the export supply available, it is difficult to have a reasonable estimate by product and this limits a more comprehensive approach to export promotion activities.

⁶ In 2016, the University of Rwanda launched a Master of International Trade Policy and Law in cooperation with a university in Tanzania. The focus is to prepare specialists who will work mostly with lawyers or public institutions and research. This knowledge is irrelevant to the current needs of export companies.

Furthermore, there are no institutions, public or private, that provide a systematic training for qualified human resources for export management, international marketing and trade. The larger export companies solve this need by hiring expatriates for export management positions, but this is a temporary solution. As the export sector grows, the need for qualified export managers will increase.

- E. Weak institutional support services for export promotion.** The skills and capacities of the current institutions related to trade support (RDB, MINICOM, NAEB, PSF, etc.) are very limited. Most staff require intensive training in this specialized field of export promotion, relatively new in Rwanda. The gap is partially covered by short-term foreign consultants and/or expatriates. Some pervasive practices also work against necessary improvements. For example, in the public sector, due to limits for budgets and hiring, any new position has to be approved by the cabinet. This restricts the capacity for hiring new professional staff as well as the flexibility to respond quickly to the demand of services.

Weak public and private institutional support services can affect the success and impact of the implementation of export promotion initiatives. The RDB has some programs, but mostly focused at the regional level. With the exception of the trade information center—still in its design phase at the RDB—there is no market intelligence system in place at any institution. Market intelligence capital is critical to understand the rapidly changing opportunities and requirements of the market. Leading exporting countries rely on market intelligence from databases and face-to-face communication with buyers and suppliers to provide reliable, timely and specific market studies that encompass freight information, prices, import requirements, lists of buyers, etc.

Long considered the linchpin of competitiveness by successful exporters, market intelligence needs important attention from Rwandan stakeholders. During the course of this assessment, no regular and systematic information system or report on export supply, market outlooks, etc., was available anywhere in Rwanda. MINICOM is in the process of integrating all the main market access strategies (by key export market) for all Rwanda exports, but the responsible team still needs to define the funding sources for this task. In addition, the updated national export strategy has some intended actions for institutional strengthening, but those actions are far from sufficient and its implementation priorities have budget and resource limitations.

- F. Small domestic market for high-value products, which cannot sustain a rapid production growth.** High value-added food products are expensive and cannot be afforded by the local population, except for expatriates, tourists and the higher-class, urban population. The domestic market is relatively small for the products in the three sectors and cannot sustain a rapid production growth. Even when access to the EAC market provides an opportunity for attracting investors and expanding export markets, the EAC is still in the early stages of trade integration. Admittedly, local consumption in some sectors (e.g. for apparel made in Rwanda) is below regional averages. As a result, the role of government purchases is important as a basis for the export firm to cover manufacturing fixed costs. This can allow exporters to utilize marginal costs and therefore have more price flexibility for competing in the international market.
- G. Limited supply of inputs, technology, production skills and transport.** The export competitiveness of small and medium-sized enterprises is limited by lack of adequate supply of inputs, technology, financing, transport and skills at all levels. All these constraints were mentioned during the 42 interviews and visits to companies in Rwanda. While increases in hard and soft infrastructure across the board will benefit all target sectors in this strategy, it is also important to understand the specialized investment needs to meet the standards of specific market channels particularly in packaging, labeling, safety and the tougher supplier performance metrics of modern supply chains.

- H. Need to accelerate level of investment to achieve expected job creation targets.** Based on standard indicators for job creation in the industrial sector, a \$5,000 investment per job (apparel) and \$30,000 investment per job (processed foods) is needed to meet international production standards. Although these numbers may sound intimidating for Rwanda's stakeholders, they represent world average expenditures for use of semi-skilled and skilled labor in the production of standard products. The required level of investment in Rwanda's industry will have to increase significantly at rates over 25% per year in order to achieve the intended job creation targets.
- I. Low public awareness of the benefits of exporting.** The benefits accrued to countries and companies that have succeeded in export markets are very significant. Yet indifference of the public to the importance of exporting local goods is an issue in Rwanda. Coverage of economic news related to exporting is low and limited to press releases from public institutions. This is a missed opportunity for educating and motivating the long-term interest of new generations and the business community in exports.

The general public's lack of awareness about the importance of a more vibrant export market is perhaps justified in the lack of resources or educational programs. However, that lack of awareness is also found in some staff at public institutions such as MINICOFIN, RRA, and Customs about the benefits of exports. Public servants in these institutions are not trained to understand the challenges and costs that exporters have to face when applying for exemptions, permits and reimbursements, or to comply with export procedures. A low-budget communication campaign to inform public-private sector decision makers will help to improve support. Training journalists on the subject may contribute to motivating a new generation of local exporters and bring the idea to the public in an attempt to garner support.

3.2 Key Constraints for Export Development to the U.S.

- A. Insufficient supply to meet U.S. importers' demand.** Generally, most importers require a full container per minimum order by sea shipping (the lowest cost transportation option for exporting Rwandan products to the U.S.). A full container loaded with the most products justifies the minimum revenue and profitability of an import business transaction. By air—depending on the product—a lower quantity may be feasible, but the value of the product must be high enough to compensate for the high cost of air freight from Rwanda. Compared to its neighbors, due to the low volume of air cargo, the airlines charge the highest rates to Rwandan exporters.

Based on interviews, with the exception of very few companies, the majority of firms lack the capacity to fill a full 40' container with export products within the delivery time requested by the importer. This is the case even if those products could meet the U.S. import requirements. SMEs in the specialty food sector, especially, have trouble filling containers and meeting requirements because of their constraints in equipment capacity, raw materials and other inputs. As with home decor and fashion companies, they depend on artisanal production, which is often slow and inconsistent. This is also the case with most domestic SMEs in the apparel manufacturing industry, which rely on individuals or small groups of tailors for their production.

- B. Lack of awareness of U.S. import requirements and market potential.** Due to their focus on the domestic and regional markets and the lack of competitive transport options to the U.S., most exporters did not know about the U.S. market potential and import requirements for their products. This was also expressed by government officials in trade-related institutions. Although some short seminars on how to export to the U.S. have been presented in the past, no systematic training and information dissemination programs have been implemented yet. While classroom-style training is necessary, it is far from sufficient for the speed at which Rwanda needs to move in the next few years.

Effective training in U.S. import requirements must take into account experiential learning with the help of field trips, buyer visits, learning from local and regional case studies and linking companies with export coaches experienced in the U.S. market. More on this is offered in the actionable recommendations in this report.

- C. High freight costs and extended sea time transportation.** All exporters mentioned that the high cost of cargo freight and extended shipping time seriously affect their exports to distant markets like the U.S. Due to the low volumes of cargo and lack of unified negotiations with the freight service companies and airlines, the exporters have not been able to negotiate better rates. The lowest cargo freight cost is a multimodal approach by road and sea. Rates to U.S. ports on the East Coast are variable and range between \$5,300 to \$7,000 per 40' container—depending on the product and volume. The duration time is on average between 30 and 45 days. This rate is very high, but is still lower than shipping by air.

The most frequent route alternatives for shipping Rwandan exports to the U.S. are:

- By road from Kigali to the port of Dar es Salaam (Tanzania)—called the central corridor route—and from there by sea to U.S. ports. One exporter of crafts mentioned that the sea freight for a 40' container from Dar es Salaam to Baltimore cost \$7,000.
- By road from Kigali to the port of Mombasa (Kenya), passing through Uganda—called the northern corridor route—and from there to a U.S. port. The sea freight from Mombasa to Baltimore was \$6,000.
- By air from Kigali to U.S. airports, with transshipment in other cities in Africa, Middle East and Europe. There is no direct route. One exporter mentioned that the cost per kg of air freight was over \$4 and due to dwell time in transit through several airports, the journey to the U.S. took 20 days.

In 2014, 13% of Rwanda's international trade (around \$300 million for imports and exports) was conducted from/to Kigali via airfreight. Most export destinations were in Africa. The air cargo carriers for exports in that year were mainly dominated by Rwandair (34%), SN Brussels (27%) and Ethiopian Airlines (24%). Rwandair has the lowest rates but its destinations are mostly limited to Africa.

The cost of air freight from Kigali to Europe is currently between \$1.80 and \$2.60 per kg, while in Uganda and Kenya the average is \$1.50 per kg. The average FOB price of Rwandan goods that are less than \$3 per kg—with the current high incidence of air cargo freight—makes it difficult to have a competitive cost, insurance and freight (CIF) price in the U.S. market when shipping by air.

The demand for air freight is limited by cost. According to a recent study, air freight is typically priced at four to five times that of road transport and twelve to sixteen times that of sea transport. For developing countries, one kg shipped by air costs approximately \$3.50 for a distance of 15,000 km (minimum distance to the East Coast of the USA); the same kg by road is charged \$0.80 on average while it only costs \$0.30 to ship the same quantity the same distance. Rwanda's air cargo volume transported for imports is significantly higher than for exports.

All airlines leave Kigali with partially empty cargo space. It is estimated that up to five MT of cargo space is available on each outbound flight depending on the size of the plane. All air cargo to the USA has to go through intermediate transit airports such as Brussels, Istanbul, Dubai, Amsterdam and others in Africa. Air freight rates generally range from \$1.50 to \$4.50 per kilogram for shorter distances, while the value of air cargo typically exceeds \$4.50 per kilogram for 15,000 km. The transport companies generate zero revenue for empty cargo space. All rates are negotiable with airlines, freight forwarders and shipping companies, but lower rates depend on the minimum volume/quantity committed by a formal group of exporters. Individual SMEs cannot negotiate on their own. A strategy and a delegation at the highest level must be organized to negotiate a mutually beneficial arrangement between airline companies and the country's exporters.

- D. Difficulties in assuring quality.** Although there are very few exceptions, it was observed during visits to companies that most operations have weak quality assurance systems in place. Sales to the domestic market in the three sectors do not require strict quality control, unlike exporting to the U.S. or Europe. Many processed food products had low-quality presentation, packaging and labels. In many of the apparel and artisanal enterprises, the qualifications of the production staff in charge of quality were insufficient for the U.S. market. The quality of local fabrics may also be below U.S. standards but this can be solved through imports.

The Rwanda Standards Board (RSB) is the agency in charge of regulations, inspections and promotion of quality production standards. It has a certified standard quality seal for the domestic and regional market and provides training and limited assistance to selected companies in good manufacturing practices (GMPs), International Organization of Standards (ISO) and Hazard Analysis Critical Control Points (HACCP). While providing a locally certified quality seal is a commendable effort, it is highly likely that none of the public and private certification schemes known in the U.S. or European markets would recognize the RSB certified quality seal. Therefore, RSB needs to consider moving on from this concept to focus on understanding the detailed scope and application of international standards required by U.S. importers and U.S. federal agencies such as the United States Food and Drug Administration (USFDA). More on this approach is offered ahead in actionable recommendations.

- E. Limited skills for export marketing and specialized production.** There are no training programs oriented to preparing Rwandan exporters for specific international markets. The Rwanda Development Board (RDB) is the only body to have provided specialized short-term training and workshops on basic topics related to exports. This was done through a ten-module program with Kigali Independent University. The program targeted a group of nine export advisors on assisting exporters within the targeted company programs of the RDB. Other entities and donors conduct training on an ad-hoc basis. Some workshops on the production and marketing of some products are included in their activities and are mostly focused on Europe.

Most of the potential production for exports to the U.S. will require expansion of current levels of production and upgrading of equipment and relevant skills for the factory staff involved. The training of new employees may take up to several months and may not be affordable by current exporters.

There is no single entity that has a comprehensive program to generate export managers and the future generations of capable local export leaders. Nor is there an international business program at undergraduate or graduate level in any Rwandan university.

- F. Non-tariff barriers (NTB).** All exporters in Rwanda are subjected to certain non-tariff barriers. One of the largest barriers is the limited awareness of simplified procedures for trade due mainly to the lack of training of exporters' staff and service providers. The Rwanda electronic single window should be a solution, with over 12 types of customs transaction processes that could be done within one hour or two days when a physical inspection is required. Some exporters mentioned that up to eight documents are required for export even though customs authority representatives mentioned as few as three to four documents that may be required depending on the sector. It is surprising that, despite the many positive aspects of doing business in Rwanda, the rules for businesses still need considerable streamlining. The process could be improved as the implementation of a faster issuing of certificates of origin is already underway and there is an option of mobile payments.

There were several NTBs related to road cargo when in transit to ports such as Mombasa or Dar es Salaam. The most common barriers mentioned by exporters were related to delays in border controls, extra charges and bribes requested by inspectors at weigh stations, frequent police stops on the road in Uganda and Kenya, excessive dwell time at the ports and theft of valuable cargo by

road thieves, among other factors. In addition, other specific NTBs identified were: (1) Delays in registration and retesting of products by TFDA for Rwandan exports of chemical and agro-processed products; (2) Lack of proper coordination among border agencies in clearance of goods; (3) Existence of several weighbridge stations along the central corridor; (4) Non-harmonized working hours of border management agencies and road user charges/road tolls; (5) Exporters also drew attention to the problem of Rwandan trucks having to pay \$300 each as a national park fee en route, an issue resolved (at least in theory) during the 18th EAC regional forum on elimination of NTBs. Currently, there are several ongoing initiatives to simplify procedures, facilitate trade in the EAC, and reduce delays in transit.

- G. Export taxes and VAT.** Imported inputs and raw materials have to pay duty taxes that may be in the range of 10-25% of value. In addition, services provided to exporters as well as imports have to pay 18% Value Added Tax (VAT). By law, the exporter can claim a refund for the imported inputs for export goods, but the refund claim has to be submitted to the Ministry of Finance. This may take from 30 days to six months, constituting a considerable transaction cost for the private sector. Also, there has been a drawback scheme in place since 2009, but it has not been utilized by exporters. The lack of awareness of this scheme and dissemination of information about it has been cited as the main reason why the drawback is not in use. Even the customs web site did not have any information about it.
- H. High cost of and unreliable supply of energy and water.** Companies in the three selected sectors complained about the high cost of electricity in Rwanda that is a significant part of each company's industrial production costs. Frequent power interruptions in some areas force factories to use fuel generators—a necessity that increases their energy costs. The rate for the industry in Rwanda is between \$0.21 and \$0.30 per kilowatt hour (kWh) depending on the time of the day and location. At the EPZ in Kigali, the rate mentioned was \$0.22 per kWh. The rates per kWh in Rwanda are higher than those of competitors such as Kenya (\$0.15/kWh), Ethiopia (\$0.03/kWh) and India (\$0.06-\$0.11/kWh). The rate paid for water for industrial use in Rwanda is \$0.75 per m³. This is also a higher rate than regional competitors such as Kenya (\$0.58/kWh), Uganda (free) and Tanzania (\$0.50/kWh).
- I. Very limited innovation and research and development (R&D) activities.** In Rwanda, as in many developing countries, innovation and R&D are very limited or almost zero, but this is necessary to compete in the U.S. through product differentiation (and obtain better prices). There are a few small research projects conducted by individuals at some universities and other entities, but the majority are oriented to the domestic market, isolated and not linked to business and identified opportunities.

Most companies in the three selected sectors lack the skills and capacity for conducting innovation activities particularly for adapting their products to U.S. requirements. Besides, the Rwandan government does not have the resources or capacity to provide this specialized assistance to exporters in the three sectors. NAEB has some support programs for promoting more value added to commodities such as coffee and tea and for tropical fruits, macadamia nuts and others, but do not have sufficient resources for implementation at the company level. Its role has been mostly of coordination. BSF is a company created by the government to implement small community processing centers in rural areas. BSF works mostly with a focus in the domestic and regional market. Still, the equipment is very basic and capacity is limited to small-scale operations.

⁷ Drawback is a refund of duties, especially on an imported product subsequently exported or used to produce a product for export.

RSB has underutilized laboratories and testing equipment that is adequate for certifications in the specialty food sector. RSB has trained staff specialized in quality standards certification, food safety and good manufacturing practices. Companies could access RSB to gain support for the implementation of ISO standards, HACCP and GMPs, but RSB does not have experience with U.S. import requirements. Since HACCP and GMPs are considered building blocks in food safety assurance systems, it would be feasible for RSB to gain experience in U.S. FDA standards to help Rwanda companies.

The Faculty of Food Science and Food Technology, at the University of Rwanda, has a laboratory for conducting food product tests as well as some equipment for conducting trials and production pilots. In addition, it has over ten specialized professors that could provide food technology advice. The current focus of the use of the facilities and laboratories has been mostly for short-term academic tasks by students and is in general underutilized.

The National Industrial Research and Development Agency (NIRDA) has supported projects oriented towards import substitution and reduction of energy consumption. Besides, NIRDA has some experience in processed foods for the local and regional markets. However, there is no experience in product development and adaptation or product trials for the international market. Product adaptation and tests are critical. Some donors may have some resources from current projects under implementation that could support specific technical assistance needs and testing equipment.

3.3 Competitive Dynamics for Traditional and Emerging Markets

Economic theory and common sense suggest that exporters will sell to those markets that offer the most profitable scenarios. Those markets are the ones to which they have easier access and stronger links with established buyers, and where suppliers can compete on price. Until now, the U.S. market has not been a priority market for exporters in the three selected sectors (except for handicraft products in small quantities). Some exporters are more competitive in regional markets or even in the closer markets of the Middle East and Europe. The current focus of export firms is in the East African region and Europe mainly because those are destinations in which they have market contacts and that are easily—and competitively—accessible. The following challenges are currently affecting Rwandan exports under AGOA and are worth considering.

- A. Focus on growing regional markets versus the U.S. market.** Rwanda trades with a number of foreign markets but export volumes to the regional market make up the majority of exports of both non-traditional and staple foods. This is especially true in the border areas. The products included in the three selected sectors are considered non-traditional. The main market for all non-traditional exports in 2014 was the Democratic Republic of Congo (DRC), which consisted of 41% of total non-traditional export market share. Exports to the DRC averaged 29% annual growth since 2008. The EAC consisted of 29% of market share with an annual growth rate of 24%. The rest of Africa's destination market share remains relatively small at just 3%, while the rest of the world accounted for 26% of all non-traditional exports in 2014. Except for some identified opportunities in apparel and craft accessories, if exporters still have a supply surplus they will need to learn how to export to nearby markets first to have the capacity (financial and otherwise) to export to the U.S.
- B. Europe and Asian markets versus the U.S. as a potential market.** Donors such as the European Union (EU) are promoting the expansion of exports primarily to Europe. This is especially true in the agriculture and food sectors in which they are likely to succeed. This is easy to grasp considering that the cost of freight to Europe as well as the Middle East and India is lower than the cost to ship to the U.S.



With the 10-year extension of AGOA, investors are seriously considering exporting to the U.S. to take advantage of the trade preferences. Whether or not investors choose Rwanda as their export operations platform depends on a complex, multivariate function that has to yield higher, or at least more sustainable, profits and growth than the alternatives worldwide. AGOA definitely improves Rwanda's "value proposition" for local and international investors to seize opportunities in the U.S. market.

3.4 Opportunities for the EAC Under AGOA

During the U.S. market analysis some U.S. buyers expressed interest in sourcing large quantities (by Rwanda standards) of competitive products in the three selected sectors. Most of the products require some imported ingredients, packaging and fabrics that are not made in Rwanda. Currently, there are established suppliers in the EAC that are providing or can provide those inputs to Rwanda and still allow exporters to meet AGOA's ROO standards. This is especially true with the third country fabric provision that allows inputs from any country in the fashion, textile and apparel exports. Therefore there is potential for Rwanda to build regional supply chains that could enable it to supply U.S. buyers competitively.

Moreover, if Rwanda chooses to focus strategically in this area and effectively addresses critical trade facilitation bottlenecks, it can certainly be competitive in a high-volume business. Other landlocked countries in Africa (e.g., Lesotho) have been able to overcome transport challenges such as lack of direct access to a seaport and become major exporters to the U.S. under AGOA. Several companies located in the new Kigali Special Economic Zone are successfully selling in volume overseas, and have plans to enter the U.S. under AGOA. Beyond volume business, there are certain niche opportunities within sub-sectors such as fashion-oriented garments or marketing to companies with a social responsibility angle to their brands. The Kate Spade model was highlighted in the first iteration of the AGOA Strategy and points to the potential for utilizing dedicated factories to support entry/expansion strategies for sourcing in Rwanda.

As a small, landlocked country within the EAC, Rwanda can benefit from regional access to the U.S. under AGOA in two ways. First, it can benefit from regional economies of scale. Witness what happened with the "peace baskets" produced in Rwanda for the U.S. market. After entering into an agreement with U.S. retailer Macy's, Rwandan company Gahaya Links did not have the capacity to deliver the required volumes on its own. To address volume, it began to train and work with producers' groups throughout Rwanda, creating thousands of jobs for women even in neighboring Burundi. Second, Rwanda can choose to become part of the regional CTA value chain, for instance, and focus on spinning/weaving capacity for sale of fabrics to its neighbors as well as cut and sew operations that export garments under AGOA.

Enabling Rwanda to harness the benefits brought about by AGOA, especially in the textile and apparel sector, will require decisive action to improve its competitiveness, especially with regards to investment incentives, cost reduction policies, reduction of freight costs and reduction of tariffs for imported inputs.

The following infographic highlights the trend of export trade growth from East African countries to the U.S. and globally. It also highlights the potential for greater growth.

⁸ Nontraditional exports are all products other than coffee and tea in bulk, and minerals

Boosting Exports to the U.S. under AGOA

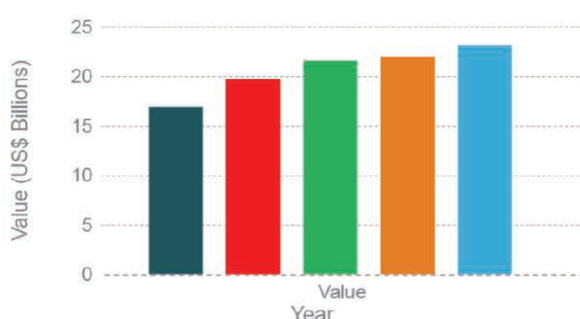
The East Africa Trade and Investment Hub aims to increase exports under AGOA in the EAC+ countries (Kenya, Tanzania, Uganda, Rwanda & Burundi + Ethiopia, Mauritius, and Madagascar) by 40% between 2014 and 2019.

Exports from the EAC+ countries to the U.S. and the world have been on an upward trend:

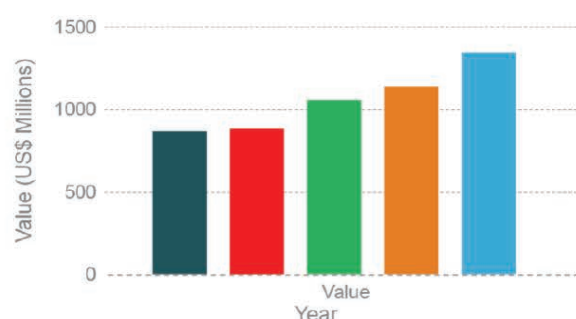
Global exports up 37% U.S. exports up 55%

The total value of EAC+ countries' global exports grew from \$16.91 Billion to \$23.14 Billion between 2010 and 2014

The total value of EAC+ exports to the U.S. rose from \$868.54 Million in 2010 to \$1.34 Billion in 2014



Total global EAC+ exports 2010-2014



Total EAC+ exports to the US 2010-2014

EAC+ exports to the U.S. accounted for 6% of global exports in 2014.

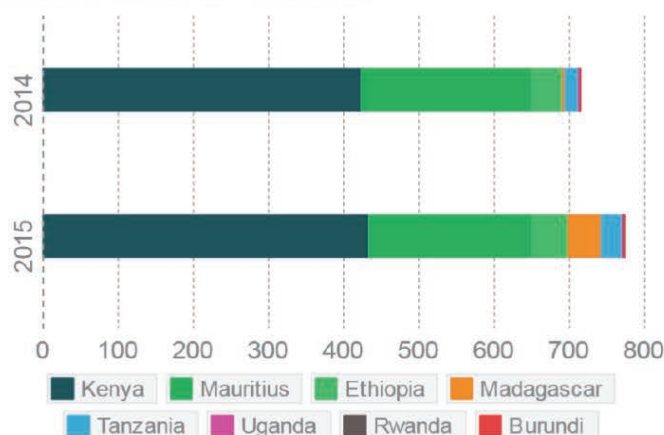
Source: Data compiled from UNCTAD (<http://unctadstat.unctad.org>)

AGOA Exports

AGOA can help unlock the export potential of the EAC+ countries:

The total value of AGOA exports by the EAC+ countries was USD 715 Million in 2014 and USD 773 Million in 2015, an increase of 8%.

The top exporting countries in 2015 were Kenya (USD 433 Million), Mauritius (USD 217 Million) and Ethiopia (USD 47 Million).



Source: Data compiled from the U.S. International Trade Commission.

AGOA Exports 2014 and 2015 (USD Millions)

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4. BENCHMARKING RWANDA'S COMPETITIVENESS IN THE TARGET SECTORS

A benchmarking exercise was conducted to compare business characteristics, processes and performance metrics against competitors in the region and beyond. The business dimensions compared were mainly cost, quality and time in regard to the U.S. market. As in previous phases of this assessment, finding the desirable data was a challenge but in the end it was possible to work with what was available. The benchmarking summary is presented ahead.

Export cost competitiveness

Rwanda has joined the piercing competition on cost from competitors around the globe. Before anything else, Rwanda must gear up policies and actions to compete better on cost. Regrettably, at this point, it is difficult to estimate the price competitiveness of the selected products in the three sectors. Most companies visited in Rwanda do not have a reliable cost accounting system and cannot estimate marginal costs. When companies were asked about export prices, the quotations received were not properly prepared; ergo, there is a need for training on this topic. Also, since this report will be public, most of the exporters interviewed were reluctant to provide their costs because of confidentiality concerns.

Rather than working with incomplete quantitative information at the enterprise level, the assessment on cost competitiveness relies more on qualitative evidence collected during the field visits. The most salient cost competitiveness findings for the three target sectors are summarized below.

- **Apparel sector.** There is only one company in Rwanda that has competitive production costs for apparel. This is in great part due to its use of modern equipment, its efficient production systems and its capacity to meet international productivity standards. The remaining apparel companies have production costs up to 50% higher, a situation characterized by a combination of input costs (e.g., imported fabrics and components), small production scale, old equipment and lower productivity. These unfavorable conditions lead to lower quality that does not meet international standards.
- **Specialty foods sector.** Most of the selected products in this sector show cost competitiveness. This is the case for macadamia nuts, bananas, pineapples, passion fruit, honey, chili peppers, coffee and tea, where processed food companies can access low-cost local raw materials. Depending on the final product features, the cost of imported packaging may increase the price significantly and reduce the cost advantage of cheap raw materials.
- **Home decor and fashion products sector.** Favored by low labor costs and, in some cases, by low raw material costs (grass, sisal, etc.), this sector exhibits some cost competitiveness. However, producing good designs with quality craftsmanship is what really make the difference in price and profit for these products. The equation for cost competitiveness in this sector is complex and characterized by a number of trade-offs. For instance, lower labor costs are strongly correlated with low-quality craftsmanship. Low production volumes may also be influenced by untrained, minimum-wage labor, which in the end can lead to higher costs. Nearby countries with higher labor costs but lower product prices than Rwanda illustrate this trade-off.

Costs of other factors

Simplifying the analysis, a Rwandan export product can be competitive in the U.S. market when it meets the following criteria:



- Adequate product quantity and quality that meets the import requirements of U.S. buyers. Rwandan companies can achieve this with technical assistance and training. Increased quantity permits better production and transportation efficiencies while meeting quality in every shipment avoids export rejections that lead to major economic losses and opportunities foregone.
- Competitive CIF prices in the U.S. (CIF price includes the profit margin and all costs until the product reaches the U.S.) Rwandan companies can achieve this with cost savings in raw materials, labor and better freight rates.
- Timely delivery. This is possible when companies have a good supply chain and a functional logistics system to optimize the time required to import inputs and transport final product to the U.S. Some Rwandan companies already do this and other Rwandan companies should learn from them. It is important to keep in mind that timely delivery is a top critical supplier performance metric used by buyers. Timely deliveries improve cost competitiveness for all actors in the supply chain.

The table below shows some reference cost comparisons of Rwanda with other selected countries in the region. The data show, in particular, the costs of factors and time that can influence the competitiveness of exports to the U.S.

Table 4. Cost comparisons across the EAC plus Ethiopia and Mauritius

Cost Element	Rwanda	Kenya	Tanzania	Uganda	Mauritius	Ethiopia
Monthly wage (skilled/semi-skilled)	\$100–\$120	\$120–\$150	\$80–\$100	\$90–\$100	\$170–\$180	\$74–\$84
Weekly working hours	45 hrs.	45 hrs.	45 hrs.	45 hrs.	45 hrs.	48 hrs.
Overtime allowed/week	No maximum	20 hrs.	20 hrs.	20 hrs.	20 hrs.	25 hrs.
Rent (per sq. ft. p.a.)	\$1 (EPZ)	\$2.00–\$3.70	\$2.00–3.70	\$1.50–\$2.50	\$2.50–\$3.50	\$1.2–\$4.8
Electricity (USD per kWh)	\$0.22–\$0.30	\$0.18–\$0.20	\$0.16–0.18	\$0.12–\$0.14	\$0.104	\$0.01–\$0.03
Water cost (USD per m3)	\$0.75	\$0.58–\$2.00	\$0.50–\$0.76	Free to \$.50. Thereafter \$.50–\$1.31	\$15.00 min. charge +\$0.60/ additional m3	\$0.19–\$0.58
VAT on imports	18% (refundable)	16% (refundable)	18%	18%	15% (refundable)	15%
Corporate tax	30%	30%	30%	30%	15%	30%
Bank interest rate (local currency)	18%	18–20%	16–18%	18–20%	9–11%	5–11%
Permits for expats	Yes	Yes	Yes	Yes	Yes	Yes
Availability of industrial parks	Yes	Yes	Yes	Yes	Yes	Yes
Availability of land for construction	Yes	Yes	Yes	Yes	Yes	Yes

Source: Interviews and selected publications.



Other insights that apply to the country in general are offered in the list below. These observed cost-competitiveness points may help Rwanda's public, private and donor stakeholders in proposing policy changes and future support activities:

- Rwanda has lower labor costs than Kenya and Mauritius but no cost advantage over Ethiopia, Uganda and Tanzania.
- The rental cost at the Export Processing Zone (EPZ) in Kigali is the lowest of all the countries compared.
- Electricity and water are more expensive in Rwanda than in all the countries with which it was compared.
- Rwanda, Tanzania and Uganda have the highest VAT for imports (18%).
- Corporate tax and interest rates for business development loans in Mauritius and Ethiopia are 50% higher or more than in Rwanda.
- With the exception of Ethiopia, Rwanda has the highest cargo freight rates to the U.S., which affects CIF price competitiveness.

Prioritizing strategic actions

As we can see in the points above, compared with other EAC countries such as Kenya—which exported more than \$420 million with AGOA in 2015 alone—Rwanda has the key elements to replicate this experience and increase exports significantly. This is especially the case in textiles & apparel, where there is significant potential to grow in the U.S. market. The challenges for an effective strategy and work plan are how to maximize the advantages and address the major disadvantages. The following are some considerations for strategic action.

Negotiate better cargo freight at the highest level and as a national interest

One of those major disadvantages in dire need of attention is the cost of cargo freight rates to the U.S. Depending on the products and negotiations with transport services these rates may be reduced. However, these negotiations cannot be led by individual companies, nor by small groups of companies. Multinational cargo companies will pay attention if there is some advantage for them in the mid- to long-term. With an AGOA exports growth strategy in place, cargo companies must know the role their cost structures play in making or breaking participating companies. A national negotiating commission could be formed, with the participation of the private, public and donor sectors at the highest levels, to bring cargo companies to the negotiation table. Unless logistics from Rwanda to the U.S. become more affordable, the profit thresholds for a number of products from Rwanda are not sufficient to motivate local, regional or international investments.

The following table shows how much other countries pay and indicates the range of negotiation Rwanda could aim at.

Table 5. Cargo freight costs in the EAC plus Ethiopia and Mauritius

Rates in US\$	Rwanda (*)	Kenya	Tanzania	Uganda	Ethiopia	Mauritius
Average sea freight to USA (20' ct) West Coast	N/A	\$2,307	\$3,000	\$4,800	\$7,685	\$2,440
Sea freight to USA (40' ct) West Coast	\$5,300–\$6,300	\$3,466.8	\$5,500	\$6,540	\$8,720	\$3,578.2
Average sea freight to USA (40' ct) East Coast	\$5,100–\$7,000	\$3,266.8	\$5,600	\$5,840	\$6,400	\$3,362
Average sea freight to USA (20' ct) East Coast	\$6,500	\$2,107	\$3,000	\$4,600	\$5,320	\$2,356
Average time by sea cargo to USA (days) West Coast	30–45 days	34 days, 15 hours	35 days, 1 hours	40 days, 13 hours	N/A	20 days, 23 hours
Average time by sea cargo to USA (days) East Coast	30–45 days	24 days, 7 hours	24 days, 17 hours	31 days, 6 hours	N/A	27 days
Average air freight to USA (per kg and per m3) New York	\$2.8–\$6.0	\$3.2	\$4.6	\$4.80	\$5.9–\$6.8	\$4.70
Average airfreight to USA (per kg, and per m3) Los Angeles	+ \$6	\$3.2	\$4.6	\$4.80	\$6.5–\$8.4	\$4.60

Note: These are only indicative average rates

(*) Sea shipments include the road freight from Kigali to ports (Dar es Salaam and Mombasa)

Source: Interviews and publications

Additionally, the following table shows the estimated freight cost from Kigali to the two main maritime ports for exports. The cargo freight rates are high compared with international standards. Any effort to reduce the time and freight rates will help the competitiveness of the products shipped by sea to the U.S.

Table 6. Comparison of sea land transportation costs to nearest sea ports

KIGALI TO MOMBASA			KIGALI TO DAR ES SALAAM	
Item	20' container (ct)	40' ct	20' ct	40' ct
Road freight	\$2,400	\$3,000–3,600	\$3,200	\$4,800
Road time	4 days	4 days	3 days	3 days
Port dwell time	3.5 days	3.5 days	9–12 days	9–12 days
Total time pre-shipment	7.5 days	7.5 days	12–15 days	12–15 days

Learning from neighbors

In 2015, Kenya accounted for 62.2% and Mauritius 30.2% of all the exports in the three selected sectors. Most of these exports were in textiles and apparel, while Rwanda's exports only reached less than 3% (circa \$174,000 in export value). All of the other countries (with the exception of Uganda and Burundi, which do not participate in this sector) exported more than Rwanda. Promoting apparel in Rwanda holds great promise under AGOA. Rwanda could learn from lessons learned by Kenya, which has endured a steep learning curve that started much earlier.

In the specialty food sector, Kenya is another good example as it is the largest regional competitor in the U.S. market. This shows that it would benefit Rwanda to establish joint exports with Kenyan companies. At the very least, Rwanda could learn about best practices put in place by Kenyans to achieve those exports. In the home decor and fashion sectors, the regional leader exporting to the U.S. under AGOA is Ethiopia. Although the value of exports is not significant, it would help Rwandan exporters to learn about their good practices.

In general, leading countries in the three selected sectors have specific capacities and a set of capital assets that have been combined to meet specific market opportunities satisfactorily better than Rwanda. Learning from their model and adapting it for Rwanda would be a good investment.

Table 7. U.S.AGOA imports from EAC plus Ethiopia and Mauritius in 2015
Understanding what brings investment

(in thousands \$)								
	Burundi	Kenya	Rwanda	Tanzania	Uganda	Ethiopia	Mauritius	Total
T&A	N/A	\$367,050	\$174	\$27,261	\$0	\$17,270	\$206,728	\$618,483
SF	N/A	\$52,650	\$248	\$0	\$78	\$48	\$0	\$53,024
HD&F	N/A	\$236	\$12	\$0	\$0	\$3,347	\$178	\$3,773
Total	N/A	\$419,936	\$434	\$27,261	\$78	\$20,665	\$206,906	\$675,280
(in percentage of totals)								
	Burundi	Kenya	Rwanda	Tanzania	Uganda	Ethiopia	Mauritius	Total
T&A	N/A	59.3	0.03	4.42	0	2.80	33.4	100
SF	N/A	99.3	0.47	0	0.14	0.09	0	100
HD&F	N/A	6.2	0.32	0	0	88.70	4.7	100
Total	NA	62.2	0.06	4	0.01	3	30.6	100

Source: USITC

It would seem logical that investors will be attracted by Rwanda's cost competitiveness in the three sectors selected. In reality, it takes more than strong and attractive investment indicators to bring investors home. Personalized attention and promotion to convince these investors is necessary so that Rwanda is favored over other potential destination countries. The following table compares the main incentives used to attract investors in the region. Most incentives are very similar for all the countries (e.g., tax holidays, EPZs, drawback, duty free imports of capital goods, hiring of foreigners, etc.). Ethiopia has a very generous credit loan policy compared with the other countries. Mauritius and Kenya have more incentives than the other countries. The effectiveness of those incentives has not yet been formally assessed but would be an important factor to consider when modifying incentives in Rwanda.

Table 8. Investment incentives
DBE*: Development Bank of Ethiopia

	Tax reduction/ exemption	Tax on capital gains	VAT refund on raw materials import/export incentives/VAT reduction	Customs duty exemption	Accelerated depreciation	Other incentives
Rwanda	0%–15% preferential corporate income tax rate; 5–7-year tax holiday; For EPZs and FTZs, exemption from withholding tax; and 0% corporate tax rate.	0% tax on capital gains	100% drawn within 15 days; No export tax	Customs duty exemption for EPZ products	50% first year	Residence permit; Recruit 3 foreign employees; 100% write-off on research and development costs.
Ethiopia	1–9-year tax holiday; For investment in some regions, income tax deduction of 30% granted for 3 consecutive years after expiry of income tax exemption; Exporters may get additional 2 years' tax exemption	15%–30% capital gains tax	100% drawn at the time of export; No export tax levied on exports (except for few products); Export credit guarantee scheme	Imports for capital goods; Spare parts worth 15% of total capital goods imports; Imports for raw materials; Export custom duties		Obtain loan up to 70% of investment capital from DBE*; Retention of 20% of export proceeds
Uganda	10-year tax holiday for export oriented firms	Capital gains aggregated with income and taxed at corporate rate (30%)	Duty drawback to apply on input of goods; No export tax	Import of Plant & machinery; Import of raw materials, and inputs	Initial allowance on plant and machinery: 50–75%; Allowance for industrial buildings and hotels: 20%, Allowance for commercial buildings: 5%; Straight line depreciation rates of assets range 20–40%	First arrival duty exemptions for personal effects

Tanzania	EPZ/ SEZ: 10-year tax holiday	Zero rated capital gains tax (in mining)	Import duty drawback on raw materials for exports goods; Zero-rated VAT on goods manufactured for export	Import duty and VAT exemption on deemed capital goods	Depreciation allowance for plant and machinery used in agriculture 100%; Capital allowance in mining 100%; Allowance for buildings for agriculture: 20% and for others: 5%	Employing an initial quota of 5 foreigners
Kenya	EPZ: Manufacturers and service exporters obtain 10-year tax holiday (25% rate for next 10 years); 10-year withholding tax holiday on remittances to non-residents; 100% investment allowance on new buildings and machinery invested over 20 years;	The rate of tax is 5% of the net capital gain	EPZ: VAT exempted on both goods and services used by EPZ firms, including machinery, raw materials, building materials, office equipment and certain fuels	EPZ: exempted from paying import duty on inputs including machinery, raw materials, building materials, office equipment and certain fuels	Capital allowance on qualifying investment exceeding KES 200 million (outside main cities): 150%; Allowance on other qualifying investment: 100%; Allowance on farm works: 100% (straight-line); Certain building allowances, ranging from 1%–50% (straight line)	Exemption from stamp duty on all transactions relating to licensed EPZ firm; No exchange controls

Mauritius	Industries in free ports obtain a corporate tax holiday; Other firms have 15% flat corporate tax rate.	No capital gains tax in Mauritius; Dividends paid by resident companies are exempted	Freeport companies exempted from VAT on imports	No customs duty or sales tax on raw materials & equipment	Capital allowance on capital expenditure incurred exclusively in the production of gross income within the rate (5% to 100%)	Free repatriation of profits, dividends, and invested capital; Ability to sell up to 50% of re-export value to local market subject to VAT and duties being paid and 15% corporate tax payable
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Sources: Ethiopian investment commission incentives

Embassy of the United Republic of Tanzania in Japan, Business information, available on http://www.tanzaniaembassy.or.jp/english/Business/investment_in_en.html

<http://taxsummaries.pwc.com/uk/taxsummaries/wwts.nsf/ID/Kenya-Corporate-Deductions>

Rwanda Development Board <http://www.rwandahc.org/trade-and-investment/investment-incentives-and-tax-codes/>

Mauritius Free Port <http://www.mauritiustrade.mu/en/trading-with-mauritius/mauritius-freeport>

Export Processing Zones Act, CAP 517 and Laws of Kenya

Kenya Revenue Authority, Capital Gains Tax – What you need to know, Dec 2014.

<http://fortuneofafrica.com/mauritius/2014/01/24/investment-incentives-in-mauritius/>

5. SPECIALTY FOODS COMPETITIVE REVIEW

5.1 Sector Overview

a) Current situation

Agriculture in Rwanda, the main supplier of raw materials to the specialty food industry, accounts for a third of Rwanda's GDP and employs 73% of the population. The sector meets 90% of the national food needs and generates more than 70% of the country's export revenues. Land holdings are mainly very small and crops are grown mainly for subsistence. The combination of lack of economies of scale, absence of strong organizations and poor transport infrastructure significantly limits Rwanda's agro-industrial growth potential. Currently, there are a number of programs to improve productivity geared towards commercial farming and agro-processing that takes into account smallholders' limitations.

The specialty foods sector in Rwanda is in an early stage of development. Most production is oriented to the domestic market while some products are exported in limited quantities to the EAC and other destinations in sub-Saharan Africa. A good proportion of the locally-produced items Rwanda can produce today is available in local supermarkets, such as packaged coffee and tea, juices, potato chips, fruit preserves, dried fruits, honey and others.

b) Export supply

There were no reliable production statistics available for the three sectors, but interviewees for this analysis identified that some products are available in bulk or fresh (coffee, tea, tubers, tropical fruits, macadamia nuts and spices). Most of MINAGRI's statistics available in <http://statistics.gov.rw/publication/gdp-national-accounts-2015> were unreliable to use in this assessment. These products may be processed in several ways for export. It was also confirmed that factories have the capacity to expand production if enough local or imported raw materials are available. Most factories are small with the exception of a few that have modern equipment. All factories work one shift or less during the day, as dictated by the availability of raw materials and seasonality of production. The interviews also discovered that some local and foreign investors plan to expand production of macadamia nuts, pineapples and other fresh fruits and vegetables.

c) Trade statistics

Specialty foods have grown significantly in the last 2 years. Tea in packages of less than 3kg was the main product and was mostly exported to Kenya and Uganda. These exports are probably re-exported to other destinations. There is anecdotal evidence suggesting that other products, especially staple crops, are currently sold in border areas and "informally" exported by a large number of small border traders.

5.2 Preliminary Sector Competitive Analysis

a) Demand conditions

- **Market size.** the local market for specialty foods in Rwanda is relatively small as these products typically target high-end buyers shopping at supermarkets and other specialized retailers. These buyers constitute a minority of the population. There are exports to EAC countries as well, while products such as honey, packaged beverages and organic products are exported in small quantities to Europe. The U.S. market for all the pre-selected specialty food products—at a competitive price—is promising, with unmet demand significantly exceeding the supply available in Rwanda.
- **Market growth.** The demand for these products is growing in Rwanda and in the EAC region as household income rises and women join the workforce, affording less and less time to prepare all meals and ingredients from scratch. In the U.S. market, the growth of imports is stable at around 3% on average for products such as honey, packaged coffee, tea, juices, and spices. The import demand is growing at rates between 10% and 16% per year for snacks such as banana chips, exotic marmalades and other healthy/organic products.
- **Exports growth & diversification.** Exports of products in this sector were only 3% of total Rwandan exports in 2014. U.S. imports of specialty foods from Rwanda have been mostly coffee packaged in bulk. Very few value-added specialty foods have been exported to the U.S. The quantities have been so small that they could be considered samples. Under AGOA, shipments of shelled macadamia nuts were the only ones recorded in this sector during 2015. Rwanda's main export market in specialty foods is regional, while Uganda and Kenya accounted for 99% of exports in 2014. At the local supermarkets in Kigali, the number of products “made in Rwanda” are gradually increasing, and many of them are traded actively in the border areas.



Figure 7. Top Markets Specialty Foods, source: Trademap

b) Factor conditions (important for competitiveness)

- **Availability of natural resources and inputs.** There is local production of fruits, vegetables and other crops (pineapple, passion fruit, macadamia, banana, cassava, tea, coffee and honey) that can be processed into specialty foods. This is true especially if they are produced using organic farming methods (although organic certification would need to be introduced to Rwanda). The quantities vary by season and may not be large enough for exporting large quantities to the U.S., but could be profitable for specialized niche markets. Still, the supply of raw materials needs to be organized to consolidate the production of thousands of small farmers. Constraints in other inputs such as seasonal crops, stabilizers and preservatives, packaging materials, quality glass jars and others could be solved through imports that meet AGOA origin rules.
- **Availability of labor and training.** Few companies have hired food technologists, even though there are a reasonable number of graduates from the Faculty of Food Science and Technology from the University of Rwanda. Some companies mentioned that they cannot afford to pay the salaries of those graduates due to the small size of their operations. There is a shortage of trained human resources for new production and processing plants with the appropriate practical or technical expertise required for export to the U.S. market.

- **Sector/cluster production.** All the pre-selected products, except for banana chips, are currently processed and sold in Rwanda. In the last few years, production and new plants in the processed food sector have been oriented to import substitution, except in products such as dried fruits, macadamia nuts, honey, tea, coffee, beer and others that have some presence in regional markets. Most processed food companies are located in Kigali. They process coffee, tea, meat, biscuits, beer, fruit juices, mineral water, sugar, oil, milk, animal feed, wheat and maize flour, etc. At the local retailers and markets in Kigali, there were products of limited and variable quality sold locally, but a large proportion of processed foods were from Kenya, Tanzania and South Africa.
- **Technological development.** In general, the technology levels and quality standards of existing enterprises in the food processing sector vary significantly. This can go from the very few with reasonably modern processes to the artisanal with perhaps a few technology items. Medium-scale enterprises mainly consist of bakeries, meat processing facilities, dairy processing plants, beverage manufacturers, and coffee and tea processors. Also, there are a significant number of informal SMEs in this sector, many near the production areas.

5.3 Ease of Access to the Sector and the Intensity of Business Competition

a) Access to the Sector

The government considers attracting investments in the food sector a high priority. Therefore, any investor who meets the domestic health and sanitary regulations for production should not face major barriers to operating normally.

As in other sectors, there are a few companies that dominate the sector, but they are focused on the domestic and some to some extent the regional market. They may have influence in setting prices for the local market, but still their exports are small and mainly to the EAC region.

Competition for these companies is low, but with the liberalization and growth of trade within the EAC, it is expected to intensify. This currently can be noticed on the shelves of local supermarkets, where there is a strong presence of products from other African countries.

b) Management & attitudes of firms

The larger firms have qualified local staff and managers for their domestic operations, but not for exporting to the U.S. There is a lack of a strong export mentality or commitment to expand exports to distant markets such as the U.S. This is in part due the high cost of transportation, but the conservative attitude of managers also plays a role.

Competition is low and therefore, so is innovation and upgrading of processes. The expansion of trade among the EAC countries is likely to bring about more competition and to force the companies to adopt innovations, expand the selection of products and upgrade processes in the next few years.

5.4 Supporting Exporters

a) Available services, support industries

The institutional private and public players in general lack resources to support the needs of exporting companies to the U.S. However, some service providers are available, as are support industries that could be further developed or revamped under the AGOA Strategy Action Plan.

- The Private Sector Foundation (PSF) has members in the processed food sector, but with limited activities.

- The Rwanda Ministry of Agriculture and Animal Resources (MINAGRI) has activities to expand the agriculture production for supplying the agroindustry. The National Agriculture Export Board (NAEB) and MINICOM have programs to promote exports of agriculture products including, coffee, tea, honey and others.
- The RDB facilitates exports of selected companies but mostly to EAC markets. This institution does not have resources for and experience in supporting exporters to the U.S. but has valuable experience in attracting new investors.
- The Rwanda Standards Board (RSB) is already a member of the International Standards Organization (ISO) and CODEX. RSB provides regulations (e.g., HACCP), quality standards and related services but does not have experience and resources on helping to meet U.S. import requirements.
- The Kigali Institute of Science and Technology (KIST) of the University of Rwanda has an undergraduate degree B.Sc. in Applied Food Science and Technology. Due to limitations on equipment and laboratories, the education tends to focus more on theory than on practice. The consulting team found KIST has adequate, basic laboratory and testing equipment, but not all the graduates have found employment in the food industry. Professors and graduates with the updated training and stronger links to the industry may be able to help some companies to meet U.S. import requirements. The cases of Food Industry Company Incubators in the U.S. and around the world could work as training design models for KIST. An example of best practices by these incubators is offered in the annex of this document.

b) Infrastructure

The infrastructure is better in the Kigali area than in other cities in Rwanda. Some companies complain that electricity and water supply are expensive and there are shortages of both services. The larger companies have their plants in or near Kigali. Many other smaller ones are located in the production areas. The EPZ in Kigali has space for expansion, and already two food companies, one producing biscuits and the other, breakfast cereal, have been established.

5.5 Role of Government and Enabling Environment for Business

a) Business climate sector/cluster

Rwanda has a better business climate than many other countries in Africa, but the small size of the domestic market for high-value specialty foods limits investment attractiveness compared with countries with larger internal markets such as South Africa and Nigeria. Agro-industry is a high priority for the government and there are plans for large investments in the agriculture sector's most promising products (chili, cassava flour, french beans, dried pineapple, macadamia nuts and others) which will very likely increase the supply for the processing and export industries.

b) Trade policies

MINICOM is providing leadership for promoting exports under AGOA. It also coordinates with other stakeholders the implementation of the policies and actions of the National Export Strategy to foster exports globally.

c) Business-friendly climate

Rwanda's government during the last years has offered a relatively stable economic and business environment for investments in agriculture and agro-processing as well as policies and simplified processes for trade facilitation. However, it is still unknown if private investors consider Rwanda's policies as stable as or more attractive than those in other EAC countries.

d) Socio-economic impact

The government's role in the expansion of the export sector has had a significant impact on the economy. Expansion of production and new investments in this value-added sector will generate skills, technology, exports and jobs. Growth in the specialty food industry will also benefit the agriculture sector downstream and the rural populations that work in that sector. Yet, there are no specific policies for the specialty foods sector and exports are affected by duty taxes to imported inputs such as packaging, VAT reimbursement delays and high tariffs for water and energy have a negative impact on all sectors.

5.6 Sector SWOT Analysis

Strengths

- Existence of low-cost raw materials for producing specialty foods.
- Member of EAC, COMESA and SADC (access to a consumer market of nearly 400 million people and a GDP of over \$200 billion).
- Peaceful country, safe and friendly to foreigners, with a low cost of labor.
- Stable industrial and economic development policies that encourage investments. Structural business environment assessed by international agencies as among the best in Sub-Saharan Africa.
- LDC beneficiary of AGOA and U.S. duty free access.
- Donor support of export promotion with technical assistance and other resources.

Weaknesses

- Landlocked country. High cargo freight costs to the U.S. compared with competitors
- Conservative culture of some managers in the food processing factories may reduce the speed at which food-processing industries can progress. Some are reluctant to modernize and are not prepared to invest in order to develop their products.
- Power and water supply infrastructure is developing slowly and electricity is expensive.
- Limited technological awareness, resulting in a dependency upon imports. Even if the wheel does not need to be re-invented, some adaptation capacity would help local industries to progress.
- Lack of knowledge and export marketing skills for the U.S market.
- Weak institutional support framework for the sector.
- Unstable supply for some local raw materials.

Opportunities

- AGOA duty free access for exporting products to the United States with imported raw materials and inputs from third countries.
- Identified market opportunities for selected products and U.S. potential buyers.
- Good environmental practices and “natural” agriculture that could help branding Rwanda as a source of healthy and quality high value organic products.
- The dynamic investment policy of Rwanda that helps to leverage experience and networks and target new investors in this value-added sector.
- International institutions such as USAID, EU, UNIDO, World Bank, IFC, ADB, DFID, etc., are motivated to assist in the industrialization process in Rwanda.



Threats

- Offering to buyers more than they can deliver. Inability of exporters to meet on-time delivery of competitive products to U.S. buyers.
- Negative perception for sourcing from Africa (Ebola scare, health and sanitary concerns). Also, the potential political instability in nearby countries and ethnic issues could affect the decision of investors to locate in Rwanda or the region.
- Poor negotiation of competitive cargo freight rates.
- Proactive competitors in other EAC countries selling to the same buyers.
- Lack of proactive and trained exporters to sell in the U.S.
- No significant investments materialize for the expansion of export production.
- Rwandan firms not meeting international labor standards, U.S. quality and consumer safety standards.

6. HOME DECOR AND FASHION COMPETITIVE REVIEW

6.1. Sector Overview

a) Current situation

Better defined in Rwanda as “the artisanal products sector”, handicrafts or artisanal products have been historically perceived as low-value products. From the research conducted in the market analysis, there is evidence that redefining the handicraft sector as an emerging, creative industry in Rwanda would help this sector meet market demands. Reinventing handicrafts for the modern consumer market by providing quality products is necessary to transition the handicraft sector from an informal to a formal industry. This transition will entail supporting entrepreneurs, designers, artisans and small enterprises. Countries such as Vietnam or India have formalized cottage industries, and have exported their capacity in volume to the global market. They could provide guidance for Rwanda on the potential of emerging creative industries.

b) Export supply

Rwanda’s market for handicrafts is both local and international. The domestic market consists of tourist and local buyers. The local buyers both sell on the local markets and/or export. This sector makes a limited contribution to the local economy but does generate jobs. Exports to the USA of home goods and decor under AGOA and GSP were 797,000 in 2014. The industry currently provides full- or part-time employment to over 20,000 Rwandans operating individually or through small businesses and cooperatives of sizes varying from 30 to 1,000 members.

c) Trade statistics

Within the handicraft sector, Rwanda has increased its exports in leather goods, woven items/baskets, other textile items, jewelry, and works of art to the U.S. 28.7% from 2010–2014. Each product category, except woven items and baskets, selected in the market analysis has seen increased growth over this period. Specifically, Rwandan exports of leather goods increased 58%, woven items and baskets decreased 12%, other textile items increased 57%, jewelry increased 14%, and works of art increased 19%. The largest export product category from these sector categories is woven baskets. Rwanda has been shown to be an emerging supplier for all five product categories.

6.2 Main Issues of Sector Competitiveness Analysis

a) Demand conditions

- **Market size.** U.S. imports for the five product categories presented in the market analysis were \$99.4 billion in 2014. Imports to the U.S. in this sector grew in the last five-year period. There is no data for sales in the Rwanda’s domestic market.
- **U.S. market growth.** Leather articles grew 8%, other textile items grew 4%, jewelry increased 3%, woven items baskets increased 6% and works of art increased 11%. In 2015, there was an increase in home decor exports from Rwanda to the U.S. from the previous year. Additionally, importers working exclusively in East Africa have reported an increase in market demand for baskets, specifically baskets used as wall art, lidded baskets, and sculpture. U.S. imports from 2010–2014 have increased within the range of 3% to 11%.
- **Export growth and diversification:** For Rwandan exports to grow significantly, investments in product quality, diversification and market relevance are needed. Coupling this with price efficiencies, reasonable transportation costs and improved manufacturing technologies are critical for the growth of this sector in Rwanda.

b) Factor conditions

Availability of natural resources and inputs

In limited cases, raw materials for production are accessible in Rwanda. Raw materials for the weaving of Rwandan baskets (palm and bamboo) are available within the country and have been used for years to produce traditional craft products. Items such as natural fiber textiles, prints, leather, beads, and jewelry and apparel accessories must be imported, which adds to cost and timelines and reduces competitive advantage when sourcing—particularly from Asia. Some gaps previously identified in the availability of materials and inputs have been:

- Limited access to and inadequate supply system for raw materials.
- Poor transportation infrastructure especially for raw materials and finished products in the rural areas.

c) Availability of labor and training

Labor gaps within the current industries exist at various levels. Internal operational procedures and knowledge of outside market requirements are limited among SME business owners, operators, and middle management and customs officials. To compete internationally, organized associations, formalized cluster organizations and training at all levels are required. Some gaps in labor and training that have been previously identified are:

- Lack of an active national exporters' association.
- Insufficient market information and dissemination.
- Lack of appreciation of market preferences and requirements.
- Inadequate support for marketing and promotion.
- Absence of a national handicraft sector development strategy.
- Poor transportation infrastructure, especially for raw materials and finished products in the rural areas.
- Poor or no packaging.
- High freight charges as Rwanda is landlocked.
- No or inadequate export financing.
- Lack of organized national, regional and international handicrafts exhibitions to facilitate access to markets and competitiveness.
- Lack of cooperation and program coordination among handicraft businesses.

d) Sector/cluster production

Rwanda hosts a number of promising emerging sectors. Although cluster organizations currently exist at low levels, these underdeveloped industries with structure and formalization have the ability to employ many people with valuable skills and less formal education opportunities. Some of the gaps in cluster production that have been identified are :

- Fragmented, unstructured and individualized production systems.
- Low-level equipment application.
- Low production levels.
- Nil or minimal access to capital.
- Lack of specialization.
- Inconsistent product standardization.
- Low design and quality.
- Inadequate design skills.
- Inadequate production, vocational and business development training.
- Absence of model incubator projects along organized production systems.

6.3 Ease of Access to the Sector and Intensity of Business Competition

a) Access to the sector

Firms do not have any specific problems entering this sector.

b) Firms' management & attitudes

Overall, the entrepreneurial spirit is alive and well in Rwanda. Young entrepreneurs, designers and business people have an appetite for business as a means to improve their quality of life, create employment in their communities and supply products to western and regional markets. The limitations these business people face seem to be in a few key areas of competitiveness and market trends. These limitations include:

- Business operations—ineffective production processes and controls.
- Human resources—lack of a trained workforce, middle management talent and essential staff members.
- Market trends—insufficient knowledge of new products, technologies or shifts in customer needs.
- Funding—lack of access to funding sources, funding options and affordable business loans.
- Inadequate demographic knowledge of customers, the buyer and market segmentations.
- Poor relationships—with various types of partners and suppliers.
- Regulations—import, export, customs, environmental, safety and labor.

6.4 Related and Supporting

a) Available services & support industries

There are several institutions in Rwanda that provide partial support to this sector. In the case of export promotion services, there are ongoing programs at the RDB and MINICOM.

b) Infrastructure

- The RDB reports that almost a tenth of Rwanda's annual budget is committed to transport and other infrastructure.
- Energy is expensive or is non-existent in rural areas. This is a constraint to the industrial development and expansion of artisan production.
- Transportation is listed as a major constraint due to the poor quality of roads. The majority of road investment focused on paved national roads, not on district feeder roads.
- Also, there is a need for a network of warehouse facilities to consolidate raw materials and export supply for the numerous organizations, cooperatives and individuals that participate in the sector.

c) Sector/cluster institutional support

Institutional support for export development is weak in the sector. However, due to its importance for employment in rural areas, a network of NGOs and some public institutions supporting women issues and gender balance provide some assistance to youth and women. This assistance consists of technical support for craft production, domestic sales and some exports. In addition, MINICOM has some interventions, mainly through policies. The Handicraft and National Export Strategy 2009–2013 requires updating.

6.5 Role of Government

a) Business climate sector/cluster

The government has included this sector as a priority in their plans due to its high employment potential among the rural population. There is some competition among the firms and most have received technical assistance from international organizations and NGOs.

Although relationships have been established with high-end market partners, the foreign brands themselves have had to provide additional technical, financial and operational support to maintain the relationships with their suppliers in Rwanda. The AGOA duty-free preference advantages are undermined by higher transport cost and high financial costs, especially when companies are at times required to advance capital 90 days prior to shipment of orders. This reality, along with high import duties for inputs (even considering the subsequent reimbursement of duties), has the potential to negatively affect the incentives for investment that could spur growth.

6.6 SWOT Analysis

Through stakeholder and buyer interviews, and reviewing current business and market conditions, the following SWOT will help in making strategic recommendations for the action plan.

Strengths

- Raw material access to straw, sisal and bamboo, domestically, and leather, regionally.
- Artistic culture in the rural areas. Most of the artisans do weaving, beading and stitching and have a strong skill set.
- Some companies have good exposure to the U.S. consumer through various partnerships.
- Strong entrepreneurs and small business people. Business-minded, open-minded.

Weaknesses

- Prices are high, quality is lower.
- Landlocked, high cost of transportation.
- Limited access to materials, trims and accessories.
- Weak production systems and machinery.
- Weak management pool, few educated trainers.
- Lack of finance, ability to access finance.
- Lack of associations or clusters by sector or industry.
- Lack of international standards in environment, consumer product safety, AGOA export/ import regulations.
- Tax on materials coming in for export purposes.
- Weak customs knowledge of import standards into Rwanda and export standards to U.S.

Opportunities

- Exports have increased steadily over the last 4 years.
- High end-value consumer relating to cause marketing and supporting brands with CSR programs. A loyal, quality-conscious consumer.
- Opportunity for product diversity, varying supply chains, supplying additional markets.
- Regional market sales opportunities.
- Additional U.S. market share, known in market but very small distribution.
- Sales platforms on line to introduce the sector to potential buyers.
- EPZ zones.
- AGOA.
- Learn modern craft from successful models in South America, other African countries and Asia.



Threats

- Price competition from Asia, Kenya, Uganda and Ethiopia.
- More variety from competition at better prices with shorter lead times and with secured financing of production.
- Rwanda is not internationally known for product manufacturing.
- Buyers see Rwandan products as expensive overall, baskets in particular. Not considered a competitive EAC country for product price or diversification in the regions.
- Lack of international standards and monitoring practices.

7.TEXTILES AND APPAREL COMPETITIVE REVIEW

7.1 Sector background

a) Current situation

The textile and apparel market in Rwanda is small compared to the other EAC countries. There is currently no CTA value chain in Rwanda and cotton farming in Rwanda has not been successful because most Rwandan farmers can get better profits from other products like coffee and tea. As of today, cotton is imported from neighboring countries such as Burundi, Tanzania and Uganda.

b) Spinning and textile industry

There is only one textile manufacturing company (UTEXRWA) that makes woven fabrics. There is no production of knit fabric in Rwanda.

c) Garment manufacturing

This sector has recently benefited from a significant investment by a Chinese company, C&H. They specialize in uniforms and workwear and intend to export their products to the U.S. and take advantage of AGOA. UTEXRWA is also manufacturing garments for the domestic market. In the past, they have exported lab coats, aprons and bed linen on a small scale. A few other garment manufacturers are organized in small factories but none of them are currently exporting. Artisan cooperatives are making knitted clothes, hoods, children's wear and garments made of batik fabric. Production from this sector is still very small compared to U.S. demand. Rwanda has tried to develop some sericulture—the rearing of silk worms for production of cocoons—but so far, this venture has not resulted in any exports.

d) Export supply

In the Harmonized Tariff Schedule, (HTS) knits are listed in Chapter 62 and woven are listed in Chapter 63. The value of Rwandan exports, according to the charts below, is very small by comparison with other competitors.

Table 9. Comparison of articles of apparel, accessories, not knit or crochet exporters to the U.S. (2010–2014)

HS CODE DESCRIPTION		62: Articles of apparel, accessories, not knit or crochet			
		<i>(In thousands of dollars)</i>			
Exporters to USA	Value in 2010	Value in 2011	Value in 2012	Value in 2013	Value in 2014
China	14,733,571	15,001,438	14,709,675	14,904,725	14,381,759
Vietnam	2,438,079	2,774,449	2,876,472	3,338,466	3,788,645
Bangladesh	2,834,594	3,351,881	3,330,959	3,668,600	3,502,716
Mexico	2,326,103	2,541,691	2,528,195	2,490,218	2,508,642
Kenya	97,953	117,454	137,168	148,277	196,285
Rwanda	0	43	11	2	134

Table 10. Comparison of other made textile articles, sets to the U.S. (2010–2014)

HS CODE DESCRIPTION	63: Other made textile articles, sets (In thousands of dollars)				
Exporters to USA	Value in 2010	Value in 2011	Value in 2012	Value in 2013	Value in 2014
China	5,878,099	6,212,440	6,366,360	6,798,028	7,095,628
India	1,543,621	1,754,215	1,940,910	2,107,504	2,176,263
Pakistan	1,319,770	1,404,367	1,285,783	1,335,130	1,350,304
Mexico	656,877	697,737	722,654	752,308	814,129
Kenya	28	110	345	40	109
Rwanda	2	1	1	0	19

e) Rwandan exports to the United States

In 2014, Rwandan exports to the U.S. were worth \$334,000.

7.2 Main Issues of Sector Competitiveness Analysis

a) Demand conditions

Market size. The market in Rwanda is small and dominated by African fabrics for the general population. The locally produced uniforms are highly dependent on government purchases. The U.S. market, for the five product categories presented in the market analysis, imported \$13.5 billion in 2014. Imports to the U.S. in these sectors grew between 2010 and 2015.

U.S. market growth. The knit shirts market has grown, on average, 8.4% per year over the last five years, with a moderate increase of 2.4% in 2014. The linen market, for the selected product, has grown 2.7% over last year. The uniform sector is stable. The market for uniforms made of chief value synthetic fibers (CVS) is growing 11.3% for lab coats and 7.3% for overalls during 2014.

Exports growth & diversification. Rwandan textile and apparel exports are currently quite small. Investment and diversification of products are needed, together with significant investment in textiles to create a complete value chain. In addition to increased capacity, transportation costs by sea or air need to be reduced.

b) Factor conditions

Availability of natural resources, textiles and inputs. There is currently no cotton fiber farmed in Rwanda. Cotton is imported from neighboring countries like Burundi, Tanzania and Uganda. UTEXRWA has a spinning capacity of five metric tons/day. They can spin cotton yarns and polyester cotton blends. The weaving mill is running at 50% capacity.

In textiles, Rwanda needs to invest to increase capacity in a viable local textile sector to supply apparel makers with the necessary range of inputs at prices that are close to current import prices.

The textile sector requires many changes, including capacity building for the long term. It will require investment and time to create a true value chain, and also considerable coordination among different actors in different EAC countries before Rwanda is equipped with additional capacity.

If Rwanda decides not to build its local textile sector, the country will have to develop ties with textile producers in the region to cultivate a reliable supply base. The recent launch of a large factory in

Kampala, Uganda, by Fine Spinners and some projects in Tanzania should help to alleviate the lack of available competitive textiles in the short term.

There is currently no fabric-knitting factory in Rwanda. As AGOA has been extended for ten years, up to 2025, apparel manufacturers can import from any country in the world and still export duty free to the U.S. under the Third Country Fabric Provision (TCFP). Trims and accessories are not available in Rwanda. Packing cartons and boxes are currently imported from Uganda.

Availability of labor and training. According to one exporter, there is an abundant pool of labor in Rwanda. This company has recruited several hundred operators without any problem. They plan to expand their workforce to 2,000 operators within the next two years. Operators can be trained in three weeks to two months in the apparel sector, depending on their position.

Finding trained middle management, merchandisers and trained technicians in weaving and knitting is difficult. One exporter made the point that Rwandans have a special ability to work in the textile industry. Advanced technical skills are, however, not available and therefore further education and in-house training are needed.

Sector/cluster production. In the textile and apparel industry, we did not find any complete cluster in the private sector with the exception of the designers' community, which has a very strong cluster and is interested in forming a new association. The Private Sector Federation (PSF) represents all branches of industry but does not seem to have a strong apparel section.

Technological development. The major textile company in Rwanda does not use technologically advanced equipment. In the apparel sector, most of the equipment used by companies is older than ten years and there are very few machines that are of the latest technology.

7.3 Ease of Access to the Sector and Intensity of Business Competition

a) Access to the Sector

The government is interested in attracting new investors in the sector and offers incentives to new plants. While there are no restrictions to entering the market, some small fashion and apparel companies complained that there is only one supplier of fabrics, and its quality is not adequate for manufacturing apparel or fashion products to international standards. In the CTA value chain, access cost varies, depending on the type of activity. In the textile industry, spinning and weaving are capital intensive. A Greenfield self-standing spinning and weaving plant will require an investment of \$25–\$100 million, depending on capacity. This critical mass is necessary to generate productivity and efficient costs. Knitting is less capital intensive on a lower level. A sizeable knitting plant can be built for less than \$10 million. Apparel is attractive in developing countries like Rwanda because investment is minimal in comparison with job creation. Data shows that, in garment manufacturing, a minimum investment of \$1,500 in working capital and basic machines will create 15 jobs. This explains why so many developing countries have selected garment manufacturing as one of their first manufacturing sectors.

b) Management & attitude of firms

Based on interviews and visits to Rwandan enterprises, young and talented Rwandan individuals are widely found in all levels of society. In the apparel industry, they focus mostly on their domestic market. Most Rwandan businesses have little to no experience exporting. We have found that some entrepreneurs have unrealistic expectations and expect immediate results. Based on other exporting countries, it is safe to say that developing exports in the apparel industry generally takes from several years to decades of coordinated efforts and experience.

7.4 Related and Supporting

a) Available services & support industries

Logistics companies, road transportation companies and freight forwarders are available for the industry. However, they have limited experience and expertise in exporting to the U.S. The costs of land transportation to and from the ports of Mombasa and Dar es Salaam are high. Shipping a 40' container will cost \$3,500 inbound and over \$5,000 outbound. This is very expensive compared to other countries. There is little competition in these sectors. Accessories and trims have to be imported, creating additional costs and lead times.

b) Infrastructure

Rwanda is spending 10% of its government budget on infrastructure investments, according to MININFRA, the Rwanda Ministry of Infrastructure. There are numerous roads projects, already done or in plans that will help industrial development. A new International Airport needs to provide extra capacity for passenger transport and also needs to develop the cargo freight capacity to Europe and to the U.S. Furthermore, there are new industrial parks currently under construction. The EPZ in Kigali offers many incentives to investors in apparel manufacturing plants.

c) Sector/cluster institutional support

In the public sector, we have found some institutional support in the following ministries and organizations.

- Ministry of Trade and Industry (MINICOM)
- Ministry of EAC Affairs
- Ministry of Finance and Economic Planning
- Rwanda Bureau of Standards (RBS)
- Rwanda Development Board (RDB)

7.5 Role of Government

a) Business climate sector/cluster

The Government of Rwanda has undertaken a pro-investment policy of reforms intended to improve Rwanda's investment climate and increase FDI. The country presents numerous opportunities for U.S. investment and FDI including renewable energy, infrastructure, agriculture, mining, tourism, and information and communications. We did not find any specific program for the expansion of the textile and apparel industry.

b) Socio-economic impact

The Government of Rwanda is interested in FDI in textiles and apparel because this manufacturing sector has a strong socio-economic impact. The apparel sector, with limited investments, can create a significant number of jobs. From a geographical standpoint, apparel SMEs and cottage industry artisans can be geographically spread all across the country.

c) Other factors

The key to moving forward is to attract the right buyers and investors. It requires patience, tenacity, and networking. If Rwanda attracts ten buyers in five selected products, exports to the U.S. within three to five years will reach revenue/sales of \$50–\$100 million. If Rwanda makes the choice to invest in textiles, the investment needed within three to five years is estimated at \$100 million (see more details in the annex on investment profiles). Further feasibility studies are needed to confirm the numbers.

7.6 Competitors

In apparel exports, Rwanda faces competition from China, India, Bangladesh, Vietnam and Mexico. India and China will incur restrictions for a long time when exporting to the U.S. market. U.S. policy-makers are finding it increasingly difficult to justify trade advantages offered to African countries over Bangladesh and Vietnam, which share similar economic indicators.

7.7 SWOT Analysis

The list below summarizes Rwanda's key strengths, weaknesses, opportunities and threats in investing in the textile and apparel industry:

Strengths

- Supportive and proactive public sector.
- Incentives for location in the EPZ.
- Abundant labor pool.
- Access to AGOA duty free.

Weaknesses

- Rwanda is not on the buyer's map.
- Rwanda is landlocked and has high freight costs.
- Lack of expertise in the textile industry, excepting a few companies.

Opportunities

- U.S. buyers will relocate \$5 billion out of China worldwide in the next five years.
- Some U.S. buyers interested in finding new sources.
- AGOA extended until 2025.

Threats

- If not vertically integrated, difficult to survive.
- In a very competitive market, new competitors, for example, Vietnam.
- Need to become competitive before the end of AGOA.

Although Rwanda has developed a framework for investment, a feasibility assessment of whether the country can develop an industry that meets quality and quantity end-market requirements at globally competitive prices should precede major investments.

Similar concerns regarding the capacity of Rwanda to support a cotton and textile supply sector exist in the apparel sector. It is questionable whether Rwanda's apparel exporters can compete on the global market without one. If exporters do indeed have potential, the question of how long it will take and the necessary steps needed to become competitive must be considered.

Currently, Rwandan apparel firms can be competitive internationally due to a mix of trade policy advantages and firm- and country-level advantages. Improving on this requires careful analysis of where and how Rwanda can increase business-based advantages in the context of a level international playing field. Only then can the industry take the necessary action steps towards increased competitiveness.

8. PROPOSED ACTION PLAN

Rwandan exports under AGOA were only \$435,000 in 2015. Much of the slow response to taking advantage of AGOA has been blamed on Rwanda's landlocked geography as well as hard and soft infrastructural limitations. Nevertheless, those arguments are constantly debated, with some pointing out that Lesotho and Swaziland, like Rwanda, are landlocked yet have achieved hundreds of millions of U.S. dollars in exports under AGOA. It is important to face the fact that these countries did not achieve this level of exports without the public and private sectors' coordinated efforts and commitment to growth. Kenya is another example of a country that has capitalized on AGOA. Although Kenya's comparative and competitive advantages do not relate well to Rwanda's size and potential for scale of investments, several Kenyan industries and specific businesses do represent case studies worth learning from.

Based on several examples, this action plan shows how to achieve the changes required to take advantage of AGOA's opportunities. It is the result of a process of analysis, visits to companies in Rwanda and interviews with potential buyers in the U.S. All the work was conducted from November 2015 to March 2016. This action plan translates the proposed strategy for increasing exports from three sectors to the U.S. This document proposes a sequence of specific actions that can be implemented in the short term (less than one year) and into the mid-term (up to five years).

8.1 Main Characteristics

Most actions, whether they are crosscutting for all sectors or sector-specific, have been grouped in five components to facilitate implementation. Detailed guidance for each of the 22 actions in the action plan is provided in Annex I. Each action includes outputs and defined targets, assigned leaders and the time and resources required. In addition, the other annexes provide three U.S. sector market studies conducted in November-December 2015, 12 investment profiles, and 12 cases and best practices relevant to the situation of Rwanda. The delivery of assistance to each sector is proposed through a pilot of two companies per sector, trade linkages, sector competitiveness and export supply development.

8.1.1 Approach

The overall approach proposed is holistic. It includes multiple actions in many areas that range from developing the U.S. market and buyers to trade facilitation, training, productivity, institutional capacity building, export supply development and investments. Export growth does not happen just because of one action. Although some isolated actions may have some impact, it is the synergy of the combined actions that will make exports happen.

8.1.2 Process and Validation

The process of preparation of this plan was participative, involving the exporters and MINICOM. The lead consultant and a research analyst shared an office with MINICOM staff, which facilitated work interaction and coordination. The tasks conducted included data collection, analysis, diagnostics, 42 field visits and interviews, 16 interviews with U.S. buyers, U.S. market training workshops for exporters, consultations with each sector, formulation of the proposed actions, three sector validation workshops and continuous interaction with MINICOM advisors before the submission of the final report.

Table 11. Main visits to companies and interviews in Rwanda and the U.S.

	Specialty Foods	Textiles & Apparel	Home decor & Fashion	Support Organizations	TOTAL
Company visits and interview in Rwanda	12	11	7	11	41
Buyers in the U.S.	7	5	4		16
TOTAL	19	16	11	11	57

During the assignment, the following activities were conducted:

a) Preliminary review and analysis

- Review of reports, AGOA and background documents.
- Trade statistics.
- Needs identification through field visits to companies.
- Products pre-selection for the U.S. sector market studies.

b) Preparation of three U.S. market analyses

- Databases and statistical analysis.
- U.S. buyers' identification and interviews.
- Visits to retailers in the U.S.

c) Three sector competitiveness reviews

- Visits to support-related institutions and services (freight, standards, tax, labor).
- Review of business climate and economic policy issues.
- Supply of data collection and analysis.
- Factors benchmarks and comparisons with countries in the region.
- Sector analysis and diagnostics.

d) Strategy and action plan

- SWOT and preliminary strategy targets.
- 1st draft report (December 2015).
- Complete pending issues on competitive analysis, policy issues and competitors.
- Final product selection.
- Redefine strategy and targets.
- Case studies.
- Action plan preparation and three validation workshops
- Preparation of investment profiles.
- Final report preparation.

e) Coordination and preliminary final presentation to MINICOM and final report delivered

The three validation workshops included briefings about the findings of the U.S. market analysis, as well as discussions of the proposed actions for each sector. Every effort was made to ensure that the most relevant companies for each sector attended the validation workshops. Their attendance was considered the most effective for these type of events in terms of relevance to the exporters and interest of the audience.

Table 12. Participants in the validation workshops

	Specialty Foods	Textiles & Apparel	Home Decor & Fashion	TOTAL
Number of companies	15	14	11	40
Institutions*	8	5	2	15
TOTAL	23	19	13	55

8.2 Targets

Although the products exported to the U.S. may change in the future due to market or supply conditions, the selected products may, at least in the first 2–3 years, allow some wins that can bring export credibility. The selection of the target products was mainly based on company export readiness or immediate demand opportunities.

8.2.1 Short-Term Target Products

Textiles & apparel

- CVC and CVS uniforms, workwear, T-shirts, linen.

Specialty foods

- Pineapple and passion fruit juice concentrate, packaged tea, packaged coffee.

Home decor & fashion

- Handbags, carpets, baskets, jewelry, fashion accessories, women's sandals.

8.2.2 Mid-Term Target Products

Textiles & apparel

- Knitted t-shirts, fashion clothing and accessories.

Specialty foods

- Banana chips.
- Bottled honey.
- Dried tropical fruit snacks (pineapple, banana, mango).
- Hot sauces.
- Marmalade/jams/jellies of tropical fruits (pineapple, banana, mango, orange).
- Spices (ginger, pepper).
- Macadamia nuts

Home decor & fashion

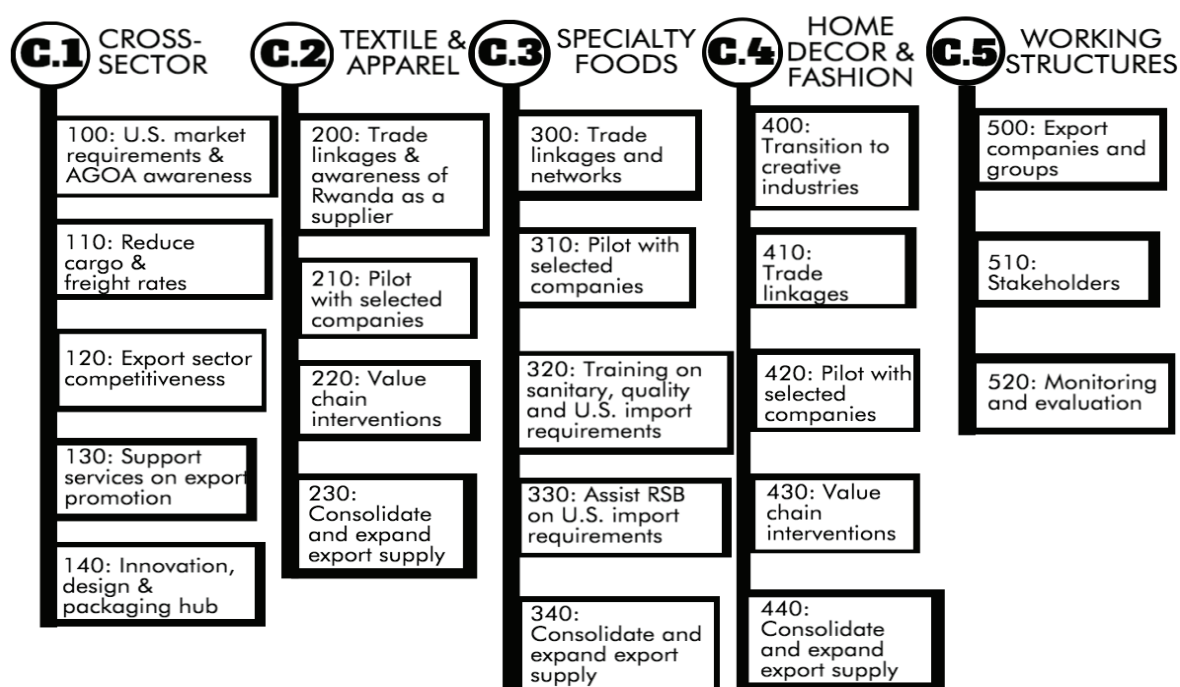
- Leather articles, harnesses, travel goods and others.
- Manufactures of plaited material, newly designed basketwork and others.
- Other manufactured textile articles for home use, soft furnishings and others.
- Jewelry with precious stones, metals and other materials.
- Works of art, collectors' pieces and antiques.

8.3 Work Structure

Figure 8 shows the overall work structure with the key actions. A more detailed description of the approach for each specific action is provided in Annex I.

Figure 8. Overall work structure with key actions

Rwanda AGOA Strategy Action Plan Work Structure



8.4 Summary Action Plan

The following tables provide a summary description of the actions discussed in the validation.

Cross-Sector Actions

KEY ACTIONS	OUTPUTS	TARGET	TIME FRAME		LEAD	PRIORITY
			ST	MT		
100 INCREASE AWARENESS OF AGOA, U.S. MARKET & IMPORT REQUIREMENTS	101: Sector-specialized workshops on U.S. market and import requirements to exporters and support organizations provided by U.S. sector experts	101 Three workshops per year (one per sector) and a general workshop on AGOA procedures	X	X	MINICOM	2017
	102 U.S. market information selectively disseminated in Rwanda to exporters and related institutions	102 U.S. sector market reports, import requirements, trade contacts and AGOA guidelines delivered to exporters	X	X	RDB	Recurrent monthly or quarterly
	111 Council of transport users promotion and organization	111 Council of transport users established and prepared for negotiations	X		MINICOM	HIGH
110 REDUCE CARGO FREIGHT RATES	112 Viability proposals for negotiations	112 Viability proposals for negotiations completed and delivered for all cargo options	X			
	113 Airlines negotiations	113 Airlines negotiations completed and reduced freight rates obtained	X			
	114 Road and sea freight negotiations	114 Road and sea freight negotiations completed and reduced freight rates obtained	X			
120 SUSTAINABLE CROSS-SECTOR EXPORT COMPETITIVENESS	121 Reduce NTBs that increase export costs	Reduced time and cost of export transport through corridors to Mombasa and Dar es Salaam	X		MINICOM	HIGH

KEY ACTIONS	OUTPUTS	TARGET	TIME FRAME		LEAD	PRIORITY
			ST	MT		
130 IMPROVE SUPPORT SERVICES FOR EXPORT PROMOTION	Increased use of drawback and/or elimination of VAT on imported inputs for export production	Expanded EPZ benefits				
			X			
	122 Improve availability and skills of qualified human resources in export marketing and export management	Postgraduate diploma in export management	X		RDB/ UNIVERSITY	MEDIUM
		Undergraduate diploma in international business and export entrepreneurship		X		
		Seminars on priority topics of export development	X			HIGH
		Reduced water and electricity tariffs	X		MINICOM	
	131 Make U.S. information available at RDB/ Trade Information Center	131 Updated U.S. market information and U.S. import requirements disseminated by the RDB/ Trade Information Center	X		RDB	HIGH
	132 Exchange on-the- job internships	132 Four on-the-job internships in key export promotion issues completed				
	133 Trade support assistance in the U.S.	133 Trade support assistance available in the U.S.	X		RDB	MEDIUM
	134 Training and technical assistance to improve service delivery in export promotion	134 Staff at RDB, MINICOM and related organizations improve their service capacities in export promotion	X		RDB/ MINAFFET	MEDIUM
	135 Implement strategy for	135 Improved awareness of and support for	X	X		MEDIUM

KEY ACTIONS	OUTPUTS	TARGET	TIME FRAME		LEAD	PRIORITY
			ST	MT		
	improving support for exports	exports by related public institutions and the general public				
			X			
140 INTEGRATED INNOVATION, DESIGN & PACKAGING SERVICES HUB	141 Viability study for an integrated innovation, design and packaging center for three sectors as a solution to the lack of innovation and R&D for exporting adapted and new products	141 Complete viability study for an integrated innovation, design and packaging center for three sectors	X		MINICOM	MEDIUM
	142 Design and packaging information services and library	142 Design and packaging information services and library ready for exporters and professionals		X		HIGH
	143 Business incubator for three sectors	143 Business incubator facilities for three sectors operating with start-ups in the three sectors				
	144 Testing and trials for new product development	144 Testing and trials for new product development conducted regularly		X		

Textiles & Apparel

KEY ACTIONS	OUTPUTS	TARGET	TIME FRAME		LEAD	PRIORITY
			ST	MT		
200 Trade linkages & awareness of Rwanda as supplier	201 Hire short term “missionary” trade assistance in the U.S.	201 U.S. experts provide timely buyers identification and support to enter the U.S. market	X		RDB	HIGH
	202 Trade shows participation	202 Rwandan exporters attend Source Magic (USA) and Africa Sourcing & Fashion (Ethiopia)		X		
	203 Buyers missions	203 Selected apparel U.S. buyers visit Rwanda	X			MEDIUM
210 PILOT WITH SELECTED COMPANIES	204 Leverage EAC exporters exposure to U.S. market	204 Assessment of Rwandan integration to the EAC value chain for textiles & apparel				
	211 Assess needs, the export readiness and commitment of two companies in the sector	211 Two companies are selected for the pilot.	X		RDB	HIGH
	212 Prepare a business and marketing plan for each selected company and provide export advice.	212 Selected companies receive focused assistance in production, design and marketing	X			
	213 Companies participate in trade linkages activities	213 Increase awareness of U.S. market and exports reach a minimum of \$1 million per year	X			
	221 High quality new products collections designed for selected buyers	221 Groups of Rwandan of at least 10 designers are trained and assisted by experienced textile & apparel design experts.	X		MINICOM	HIGH
220 VALUE CHAIN INTERVENTIONS	222 Improved access to domestic and international inputs	222 Adequate quantity and quality of inputs are available at competitive prices	X	X		
	223 Improved quality, productivity and good manufacturing practices	223 More Rwandan companies achieve quality certification for the U.S. market as well as international productivity standards	X	X		

KEY ACTIONS	OUTPUTS	TARGET	TIME FRAME		LEAD	PRIORITY
			ST	MT		
230 CONSOLIDATE AND EXPAND EXPORT SUPPLY	224 Improved training skills programs in the textile & apparel business	224 In cooperation with Educational training center (E.g. Mauritius), a training program for plant staff on production, integrated design and marketing is implemented				
	225 Upgrade existing equipment	225 Companies access to efficient equipment that helps to increase productivity	X		RDB	MEDIUM
	231 Create groups of tailors and SMEs in similar and complementary product lines	231 Viability study of an export consortia and an association or group completed. Associations and formal groups established		X	PSF	HIGH
	232 Attract foreign investors in all activities of the T&A value chain	232 (a) Investment studies for potential investors completed, (b) vertically integrated factories established (c) new garments factories established	X	X	RDB	HIGH

Specialty Foods

KEY ACTIONS	OUTPUTS	TARGET	TIME FRAME		LEAD	PRIORITY
			ST	MT		
300 TRADE LINKAGES AND NETWORKS	301 Hire short term “missionary” trade assistance in the U.S.	301 U.S. experts provide timely buyers’ identification and support to enter the U.S. market	X		RDB	HIGH
	302 Participation in trade shows	302 Rwandan exporters attend Fancy Foods East (U.S.)	X			
	303 Buyers’ missions	303 U.S. buyers for selected specialty foods visit Rwanda	X			
310 PILOT WITH SELECTED COMPANIES	311 Assess needs, export readiness and commitment of two companies in the sector	311 Two companies are selected and committed for the pilot	X		RDB	HIGH
	312 Prepare a business and marketing plan for each selected company and provide export advice.	312 Selected companies receive focused assistance in production, design and marketing	X			
	313 Companies participate in trade linkages activities	313 Increased awareness of U.S. market, and exports reach a minimum of \$0.25 million in first year	X			
	321 HACCP for macadamia nuts, dried fruits, juices, honey and others	321 Defined HACCP processes for selected products and certification established	X	X	RSB	HIGH
320 TRAINING IN U.S. IMPORT REQUIREMENTS FOR SANITARY, QUALITY AND FOOD	322 Disseminate relevant ISO standards to exporters	322 Training workshops provided to exporters as required	X	X		
	323 Training program on FDA and other U.S. import regulations for specialty food exporters	323 Key staff at most export companies are trained on U.S. relevant regulations				
	324 Training program on requirements in the specialty food industry	324 Exporters are trained in U.S. import requirements, customs procedures for SMEs, Sanitary, quality standards and best manufacturing practices for existing SMEs, and exposure to U.S buyers				
330 ASSIST RSB ON U.S. IMPORT REQUIREMENTS	331 Training program on AGOA and U.S. import requirements	331 A group of RSB staff is capable of providing quality assistance, U.S. import requirement advice and certification	X	X	MINICOM	HIGH
	332 Internship of selected RSB staff	332 RSB gets recognition of U.S. government	X			

KEY ACTIONS	OUTPUTS	TARGET	TIME FRAME		LEAD	PRIORITY
			ST	MT		
340 CONSOLIDATE AND EXPAND EXPORT SUPPLY	at the U.S. Inspections entities	as being capable of providing certifications for U.S. standards		X		
	333 Some minor equipment for tests of textiles and leather materials	333 RSB capable of providing testing and certification of compliance to U.S. standards and requirements to companies in the three sectors				
	341 Create groups of producers and SMEs in similar and complementary product lines	341 Viability study for export consortium and association or group completed. Associations and formal groups such as macadamia nuts, dried fruits and others established	X	X	PSF	HIGH
	342 Feasibility studies for the identified potential investments in the specialty foods value chain	342 Investment studies for potential investors completed and promoted to potential investors	X	X	RDB	
	343 Attract foreign investors in all activities of the SF value chain	343 (a) Investment studies for potential investors completed, (b) Negotiations with investors conducted. (c) Investments materialize.	X	X	RDB	

Home Decor & Fashion

KEY ACTIONS	OUTPUTS	TARGET	TIME FRAME		LEAD	PRIORITY
			ST	MT		
400 TRANSITION TO CREATIVE INDUSTRIES	401 Viability analysis of replicable new business models for Rwanda's future creative industries. Include light/large manufacturing production, all value chains and warehouse/distribution in the U.S.	401 Analysis completed and alternative viable models defined clearly	X		MINICOM/RDB	MEDIUM
	402 Model starts operations. Supply value chain organized and partnerships negotiated.	402 Attract potential investors and partnerships to start implementation of vertically integrated operations, including distribution, in the U.S.		X		
	403 Promotional campaign and dissemination of the new model(s) in Rwanda	403 Artisan's groups and other creative industries actively involved in the new model enterprise		X		
410 TRADE LINKAGES	411 Hire short term "missionary" trade assistance in the U.S.	411 U.S. experts provide timely buyers' identification and support to enter the U.S. market	X		RDB	HIGH
	412 Participation in trade shows participation	412 Rwandan exporters attend AMBIANTE and GIFTS show (U.S.)	X	X		
	413 Buyers' missions	413 Selected U.S. buyers of HD&F products visit Rwanda	X	X		
420 PILOT WITH SELECTED COMPANIES	421 Assess needs, export readiness and commitment of two companies in the sector	421 Two companies are selected for the pilot	X		RDB	HIGH
	422 Prepare business and marketing plan for each selected company and provide export advice	422 Selected companies receive focused assistance in production, design and marketing as required	X	X		
	423 Companies participate in trade linkages activities	423 Increased awareness of U.S. market, and exports reach a minimum of \$0.5 million in first year, growing gradually to \$4 million in year 5	X	X		

KEY ACTIONS	OUTPUTS	TARGET	TIME FRAME		LEAD	PRIORITY
			ST	MT		
430 VALUE CHAIN INTERVENTIONS	431 Training and advice from U.S. designers	431 Qualified U.S. designers improve HD&F products and train Rwandan designers		X		
	432 Warehouse for HD&F in New York area	432 Feasibility study for warehouse in New York and other options /comparisons completed	X			
	433 New sources of local supply of raw materials	433 New materials with assured availability in adequate quantity and quality identified, for the development of new HD&F products				
	434 Training in production skills for new staff	434 HD&F workers develop their skills and are trained in creative crafts				
440 CONSOLIDATE AND EXPAND EXPORT SUPPLY	441 Create groups of producers and SME's for similar and complementary product lines	441 Viability study for export consortium and association or group completed. Associations and formal groups of accessories, high fashion clothing, art and high quality crafts producers, designers and others established	X	X	PSF	HIGH
	442 Feasibility studies for the identified potential investments in the HD&F value chain	442 Investment studies for potential investors completed, and promoted to potential investors	X	X	RDB	
	443 Attract foreign investors in all activities of the HD&F value chain and in vertically integrated operations	443 (a) Investment studies for potential investors completed, (b) Negotiations with investors conducted, (c) Investments materialize	X	X	RDB	

Working Structures

KEY ACTIONS	OUTPUTS	TARGET	TIME FRAME		LEAD	PRIORITY
			ST	MT		
500 EXPORT COMPANIES AND GROUPS	501 Contributions and process for working with companies and groups defined	501 Standard commitment agreements with exporters established	X		RDB	HIGH
510 STAKEHOLDERS	511 MINICOM	511 Adequate coordination and support provided by MINICOM	X	X	MINICOM	HIGH
	512 RDB	512 RDB provides effective and proactive support to companies for the assigned activities of export and investment promotion	X	X		
	513 RSB	513 RSB provides efficient advice, tests and quality certifications related to U.S. import requirements to the exporters.	X	X		
	514 NAEB	514 NAEB organizes and supports the provision of assistance to companies included in its programs				
	515 PSF	515 Proactive and adequate organization and service delivery to associations and groups of exporters			RDB	HIGH
	516 Universities	516 Educational programs, academic expertise, laboratory services and trial equipment aligned with exporters' needs and efficiently delivered	X	X	RDB	HIGH
	517 Development partners	517 Timely and adequate funding to contribute to action plan implementation	X	X	MINICOM	HIGH
H520 EVALUATION	521 Quarterly progress reports of all activities and budget	521 Follow-up on and corrections to the implementation are timeously done	X	X	MINICOM	MEDIUM
	522 Annual updates of action plan and budget	522 Resources and tasks for the implementation are allocated efficiently		X		
	523 Dissemination of lessons learned to the export community in Rwanda	523 Report of AGOA best practices and lessons learned sent by direct mail to exporters and meetings for sharing experiences organized	X	X		
	524 Evaluation of action plan	524 Bi-annual evaluation of the implementation		X		

8.5 Roles and Responsibilities for Implementation

EXPORTERS	Responsible for achieving exports to the U.S. Main beneficiaries of technical assistance, training and support to improve competitiveness and enter the market.
MINICOM	Leader and coordinator of the overall action plan. Support exporters, especially regarding trade policy issues and constraints that require multi-institutional involvement.
RDB	Channel all technical assistance and training to enterprises in areas of export and investment promotion. Provide U.S. market intelligence and information through its Market Information Center.
RSB	Responsible for training exporters of U.S. quality requirements. Technical support to companies for GMP and ISO; develop HACCP for the specialty food products, testing and quality certification.
PSF	Responsible for the organization of producers' and exporters' groups. Oversee consolidation of export supply and delivery of training to SMEs in the three sectors.
NAEB	Channel for delivery of services to companies in the coffee, tea, fruits and macadamia nut clusters.
UNIVERSITIES	Private university to be selected: responsible for postgraduate program in export management and undergraduate program in international business and export entrepreneurship. University of Rwanda-FFST: main counterpart for local services to the specialty food sector, as well as delivery of advice about product adaptation, new product development, testing and small food production trials.
DEVELOPMENT PARTNERS	Timely and adequate assistance to action plan activities, following their own regulations and aid priorities.

8.6 Some Immediate Priorities for the Action Plan

Based on the analysis conducted by the team and the potential impact on cost reduction and timing, the priorities are the following:

- Reduce cargo freight.
- Reduce water/electricity rates, taxes or reimbursement costs.
- Improve institutional export promotion capacity.
- Improve trade linkages.
- Assist pilot companies.
- Increase export supply and investments.

ANNEX I: TEXTILE & APPAREL SECTOR U.S. MARKET ANALYSIS FOR SELECTED PRODUCTS FROM RWANDA

I. Executive Summary

The U.S. apparel market is the largest in the world with an annual value of \$331 billion. According to 2015 apparel reports, the average American spends \$1,100 on about 62 pieces of garments a year. This is equivalent to 20 billion units consumed in a 12-month period! In such a massive market, product options are vast across different categories. This report focuses on three categories and five specific products that offer the best market access opportunities for an emerging textile and apparel industry in Rwanda. Although the number of products is limited, the U.S. import value for the five products outlined in this report was \$13.5 billion in 2014 alone. These categories and products are detailed below.

Uniforms and workwear

- Medical scrubs, made of chief value synthetics (CVS), tops and bottoms.
- Lab coats, CVS and chief value cotton (CVC).
- Coveralls, CVS and CVC.

Men's, women's and children's knit shirts

- T-shirts.

Household textiles

- Linens: bed, bath and kitchen (aprons).

The selection of these products was based on a cross-sectional data assessment of the growing market segments (firms, trade statistics for main demand and supply players). Key findings of this analysis point out that the knit shirts market grew an average of 8.4% per year over the last five years, while the linen market for the selected product grew 2.7% over last year. The general uniforms and workwear sector shows to be stable whereas the market for uniforms made of Chief Value Synthetic Fibers (CVS) grew 11.3% for lab coats and 7.3% for coveralls during 2014.

Additionally, growth data for U.S. imports of these product lines between 2010 and 2015 shows steady growth in most and at least no market shrinkage in one product. In addition, key interviews were held with current and potential U.S. buyers to understand the constraints and opportunities for Rwanda. These exchanges led to valuable recommendations for the apparel industry regarding information on competitors and type of importers. Other recommendations for stakeholders delved into how to approach the U.S. market through trade fairs, buyer's missions, merchandising and strategic alliances.

It is expected that the findings presented in this report will encourage Rwanda's apparel industry representatives to learn more about these opportunities in greater detail. Not only is the market outlook for the target products positive, but stakeholders should also pay close attention to important information on U.S. trends such as omni-channel retailing, organic cotton, digital printing and the various criteria, definitions and promotional outlets to supply the U.S. market.

Based on interviews with U.S. buyers, a key recommendation for the entire sector is to increase awareness about Rwanda in the apparel sourcing community. Rwanda's public and private sectors need to take well-orchestrated steps to appeal to importers and retailers. Putting Rwanda on the international map of sourcing companies, importers and retailers in the U.S. will start a dialogue on unrealized opportunities for buyers. For example, one of the buyers interviewed said that he could see Rwanda taking advantage of polyester-made products because of their low-duty advantage assuming they would be part of a

replenishment program with long lead times. It has been confirmed that all pre-selected products in this report meet these requirements.

Due to the nature of the information found for this sector (quantitative and qualitative), this report is organized into nine sections. The first and second sections offer available details on the market situation of the pre-selected products where Rwanda has high probabilities of success. The third section informs the reader about the U.S. market structure and its characteristics, discussing the role of the main players. The tariff structure is discussed in Section 4 followed by a detailed explanation of the non-tariff requirements in the U.S. market in Section 5. Section 6 compiles and explains the most important consumer trends relevant for the pre-selected products, while pertinent quantitative information on the U.S. market distribution is presented in Section 7. A collection of tried-and-true practices in promoting sales is explained in Section 8, leading to Section 9 which presents the Rwandan apparel industry stakeholders with key recommendations for next steps.

2. Pre-Selected Products From Rwanda

Uniforms and workwear

- Medical scrubs, made of chief value synthetics (CVS), tops and bottoms.
- Lab coats, CVS and chief value cotton (CVC).
- Coveralls, CVS and CVC.

Men's, women's and children's knit shirts

- T-shirts.

Household textiles

- Linens: bed, bath and kitchen (aprons).

U.S. imports of these three categories are growing. Based on interviews with Rwandan exporters and potential exporters, the products fit within the industry's current capacity.

3. Generalities of The U.S. Market for Pre-Selected Products for Rwanda

The U.S. uniforms and workwear market is mature, with a Compound Annual Growth Rate (CAGR) of 2.2 %. The market is divided into three product groups: (1) general workwear, (2) corporate workwear, and (3) uniforms. The market revenue is divided into direct retail revenue and rental revenue. Each workwear market segment is in a different stage of growth. "White" workwear, which includes healthcare and hospitality workwear, is likely to experience the highest growth in the next three to five years. Innovations in fabric technologies as well as increased awareness of end users about different fabric enhancements are expected to be the main drivers of higher prices and revenue.

As in many markets, price, inventory, and quality of service constitute key competitive factors. Participants range from small domestic importers focused on sourcing a single type of workwear to several large multinational corporations that offer a wide range of workwear products. Many rental companies and commercial launderers compete and collaborate with workwear importers. With increasing customer demand for high-performance fabrics, the market is set to grow along with increased collaborations with fabric manufacturers.

Concerning household textiles, bedding has become one of the largest markets in the U.S. Bed sheets and pillowcases account for 33% of this market. The market is growing while customers are becoming increasingly quality savvy. According to the latest consumer reports from Cotton Incorporated, customers now prefer quality over brand name and looks. This is the opposite of consumer behavior twenty years



ago where the market was mostly served by low-cost products manufactured overseas. This indicates that successful market penetration by new players must take into consideration increasing value through new product development and improvement of existing products.

An important case to outline in this section is the evolution of the T-shirt. Initially created by the U.S. Navy as a piece of military uniform, it has become one of the most popular clothing items in the U.S. over the last decades. One could say that today America is dressed with T-shirts and denim jeans. This would obviously be an oversimplification of the complex U.S. apparel market, but trade statistics attest to the importance of this specific product.

T-shirts imported into the U.S. come in two different categories, (1) Blank T-shirts (also called plain T-shirts), which are traditionally made of cotton and sold directly to the consumer or to printers for screen-printing, and (2) Embellished T-Shirts, which are imported already printed and/or embroidered, mostly for the fashion industry. There has been a strong growth of new fabrics in the T-shirt industry, mostly made of polyester fabric or elastic fabrics. Some have called it the “polyester t-shirt revolution.”

4. U.S. Market Structure and Characteristics

4.1 Market Size and Market Segment

Out of the five pre-selected products, three are part of the uniforms and workwear industry. These products are used in a work environment. In this segment, the U.S. economy’s job creation is of significant importance as new employees get a uniform or workwear allowance that they will use to buy these garments. When sold to business or organizations, such as hospitals, construction companies, service corporations, and hospitality business, these products are usually made to specifications. In this segment, price for value and compliance to specifications are the primary requirements from importers.

In the apparel industry, T-shirts are the most ubiquitous American product, comparable only to denim jeans. Users are spread across all consumer economic strata from price-conscious to fashion-oriented men and women. This is the product for all sub-regions of the U.S. and it is sold in all sorts of market channels.

In the home textile products, bed linen sales are influenced by the construction and renovation business. Consumers are buying new bed sheets when they renew their bedding sets, buy a new bed or move.

Rwanda will have to compete with other countries that are already making the five selected products. Below, a series of tables provide insights about where and how the market for these U.S. imports is increasing and who the top exporters are.

Uniforms and workwear

The current size of the U.S. uniform supply market is \$6.4 billion. The industry has grown an average of six % per year since 2009. Long-term forecasts for the industry project positive growth. The average company in this industry has revenues of \$10.8 million.

Table I below shows the size of all U.S. imports for each selected segment of the uniform market. As can be appreciated, 2014 shows a decrease in imports of medical scrubs, after very strong growth in 2013. Coveralls and lab coats show significant growth.

Table I. U.S. General imports, annual data

HTS Number	Description	2012	2013	2014	% Change 2013–2014
		(In thousands of dollars)			
6206403030	Medical scrubs, tops CVS	941,718	1,163,458	1,097,439	-5.70%
6204633510	Medical scrubs, bottoms CVS	678,047	717,927	687,379	-4.30%
Total	Medical scrubs, tops, bottoms	1,619,765	1,881,385	1,784,818	
621133	Coveralls, men, CVS	225,514	237,325	254,608	7.30%
621132	Coveralls, men, CVC	199,250	189,229	234,110	23.70%
Total	Coveralls	424,764	426,554	488,718	
6211430091	Lab coats, CVS	241,342	249,405	277,622	11.30%
6211420081	Lab coats, CVC	140,307	139,122	127,447	-8.40%
Total	Lab coats	381,649	388,527	405,069	
TOTAL		2,426,178	2,696,466	2,678,605	-1%

Sources: Data for this table have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

Men's, women's and children's knit shirts

The current size of the U.S. T-shirt market is estimated at \$22 billion, as shown in Table 2. The industry has grown on average 8.4 % per year, with a moderate increase of 2.4 % in 2014. An estimated 1.4 billion cotton T-shirts are sold annually in the U.S.

Table 2. T-shirts: All countries, U.S. general imports, annual data

HTS Number	Description	2012	2013	2014	% Change
		(In thousands of dollars)			2013–2014
6109	T-shirts	5,266,907	5,346,352	5,474,658	2.40%
Total		5,266,907	5,346,352	5,474,658	2.40%

Sources: Data for this table have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

Household textiles: bed linen, bath linen and kitchen linen

The household textile industry has become one of the largest markets in the U.S. It amounts to \$22 billion. Some of the factors that impact this garment category favorably are the turnover in the housing market, the increase of residential construction and increased consumer spending for durable goods. See Table 3 for more details.

Table 3. Bed, bath and kitchen linen for all countries; U.S. general imports; annual data

HTS Number	Description	2012	2013	2014	% Change
		<i>(In thousands of dollars)</i>			2013 - 2014
6302	Bed linen, kitchen linen	4,834,181	5,188,348	5,327,670	2.70%
Total		4,834,181	5,188,348	5,327,670	2.70%

Sources: Data for this table have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

4.2 Pricing and Origin

China, Mexico and Vietnam have been exporting to the U.S. for many years. U.S. importers know their vendors as they have been traveling to these and other countries extensively for many years (see Table 4). Strong networks and expertise have been built, but that does not preclude exporters from moving to where better opportunities can be found. According to the Office of the United States Trade Representative (USTR), importers will move out of China within the next five years due to cost increases and the development of Chinese domestic demand. Rwanda should be ready to take advantage of these buyers who are looking to relocate part of their sourcing.

Table 4. FOB prices of top importers

Pre-selected products	Top importer	USD FOB price	Second importer	USD FOB price	Comments
Medical scrubs	Vietnam	\$1.20	China PRC	\$1.40	Basic top, CVS
Medical scrubs	China	\$1.90	Indonesia	\$1.60	Basic bottom, CVS
Lab coats	China	\$1.40	Pakistan	\$1.30	Basic white, CVC
Lab coats	China	\$1.40	Mexico	\$1.60	Basic white, CVS
Coverall	Mexico	\$8.50	China	\$7.50	Carpenter coverall, CVC
Coverall	Mexico	\$8.00	China	\$7.00	Carpenter coverall, CVS
Blank T-shirts	China	\$1.45	Honduras	\$1.45	Carded cotton, all colors, 160–185GSM
Blank T-shirts	China	\$1.75	Honduras	\$1.85	Combed cotton, all colors, 160–185GSM
Bed linen	China	\$3.25	India	\$3.25	Basic fitted sheet, twin

4.3 U.S. Domestic Production

Rwandan exports to the U.S. will compete with foreign countries that developed textile and apparel industries several decades ago. It is noteworthy that when the above countries, China being the first and largest, developed their textile and apparel industries, the U.S. textile and apparel industry suffered a massive decline. As a result, there is no longer significant production in the U.S. of the five selected products for Rwanda.

4.4 Imports Evolution by Top Countries 2005–2015

Table 5. Top U.S. sourcing destinations for the five pre-selected products

Products- HTS number	Country competitor #1	Country competitor #2	Country competitor #3
Medical scrub, tops 6204633510	Vietnam	China	Guatemala
Medical scrubs, bottoms 6206403030	China	Indonesia	India
Lab coat, CVC 6211420081	China	Pakistan	India
Lab coat, CVS 6211430091	China	Mexico	India
Coveralls, CVC 621132	Mexico	China	Canada
Coveralls, CVS 621133	Mexico	China	Honduras
T-shirts 6109	China	Honduras	Mexico
Bed, bath, kitchen linen 6302	China	India	Pakistan

In all pre-selected products, China, India, Pakistan and Vietnam are the largest players. When estimating the future of the industry in these countries, the analysis shows very different scenarios. For instance, China is currently experiencing high salary increases, a growing domestic economy, and a slow but real decline in competitiveness. India's exports keep growing and it is facing the same issues as China, though at a slower pace.

Table 6. Medical scrubs import evolution, U.S. general imports, annual data

HTS Number	Country	2010	2011	2012	2013	2014	% Change 2013–2014
		<i>(In thousands of dollar)</i>					
Tops							
6204633510	Vietnam	104,183	115,102	110,124	116,189	133,719	15.10%
6204633510	China	144,017	152,522	122,737	135,229	128,742	-4.80%
6204633510	Guatemala	97,021	113,436	113,981	119,719	102,309	-14.50%
6204633510	Jordan	64,243	84,471	74,990	56,872	50,235	-11.70%
6204633510	Indonesia	69,044	69,604	45,176	39,207	39,565	0.90%
6204633510	Kenya	253	1,662	8,646	19,721	24,664	25.10%
6204633510	Botswana	5,573	4,914	3,322	3,226	5,009	55.30%
6204633510	Lesotho	2,042	744	625	180	277	54.20%
6204633510	Mauritius	1	220	92	10	94	807.70%
6204633510	Ethiopia	507	266	545	58	79	36.30%
Bottoms							
6206403030	China	279,841	341,976	456,417	509,966	452,752	-11.20%
6206403030	Indonesia	99,347	131,383	187,868	250,983	222,864	-11.20%
6206403030	India	30,665	58,028	91,106	132,047	145,379	10.10%
6206403030	Vietnam	25,879	35,120	73,389	99,616	117,705	18.20%
6206403030	Philippines	7,882	14,729	25,797	37,133	29,014	-21.90%
6206403030	Kenya	21	521	1,338	1,648	2,605	58.10%
6206403030	Madagascar	75	30	55	156	258	65.20%
6206403030	Mauritius	85	172	84	25	98	298.40%
6206403030	Ethiopia	291	31	51	119	27	-77.60%
6206403030	Lesotho	1,718	159	0	0	1	N/A

Sources: Data have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

Table 7. Lab coats import evolution, U.S. general imports, annual data

HTS Number	Country	2010	2011	2012	2013	2014	% Change 2013–2014
Lab coat, CVC		(In thousands of dollars)					
6211420081	China	56,271	62,746	47,961	48,768	48,028	-1.50%
6211420081	Pakistan	32,546	33,922	35,079	36,602	36,529	-0.20%
6211420081	India	33,815	33,096	27,204	25,806	19,414	-24.80%
6211420081	Vietnam	12,227	12,143	5,354	5,485	6,573	19.80%
6211420081	Kenya	1,877	4,182	4,052	5,554	4,372	-21.30%
6211420081	Mali	2	12	4	3	5	58.70%
6211420081	Mauritius	0	0	0	0	2	310.40%
6211420081	Tanzania	0	0	1	4	1	-64.40%
6211420081	Nigeria	3	1	0	1	1	19.90%
6211420081	Cote d'Ivoire	2	8	5	3	1	-62.80%
Lab coat, CVS							
6211430091	China	68,712	98,646	114,965	111,138	122,292	10.00%
6211430091	Mexico	27,651	30,442	27,739	36,890	39,409	6.80%
6211430091	India	9,273	17,104	18,695	18,171	28,086	54.60%
6211430091	Vietnam	7,107	8,947	9,475	9,868	15,169	53.70%
6211430091	Cambodia	8,692	11,118	11,205	14,606	14,600	0.00%
6211430091	Kenya	0	87	50	1	415	415%
6211430091	Ghana	0	521	0	0	114	N/A
6211430091	South Africa	18	4	18	0	14	N/A
6211430091	Cameroon	0	0	0	0	7	N/A
6211430091	Ethiopia	1	0	5	1	0	-36.70%

Sources: Data have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

Table 8. Coveralls import evolution, U.S. imports for consumption, annual data

HTS Number	Country	2010	2011	2012	2013	2014	% Change 2013–2014
		(In thousands of dollars)					
Coveralls CVC							
621132	Mexico	53,047	90,567	103,063	84,779	106,088	25.10%
621132	China	32,984	55,131	45,462	46,037	48,120	4.50%
621132	Canada	13,696	14,212	14,475	14,380	23,527	63.60%
621132	Honduras	992	1,243	1,248	3,980	14,823	272.40%
621132	Vietnam	2,517	2,096	1,787	3,189	7,172	124.90%
621132	Kenya	178	2,403	1,199	884	898	1.60%
621132	Mauritius	6	0	2	132	547	313.80%
621132	Ethiopia	0	34	142	22	42	93.40%
621132	Ghana	13	1	1	15	3	-77.30%
621132	Madagascar	108	0	0	18	3	-84.70%
Coveralls CVS							
621133	Mexico	52,739	73,095	70,886	65,507	71,479	9.10%
621133	China	40,681	48,430	48,707	52,576	62,158	18.20%
621133	Honduras	12,070	12,048	19,377	21,948	23,986	9.30%
621133	Canada	4,250	7,254	14,717	25,333	16,776	-33.80%
621133	Vietnam	10,407	11,863	10,940	12,452	15,612	25.40%
621133	Mauritius	43	10	29	243	488	100.90%
621133	Ghana	3	429	2	0	113	N/A
621133	Kenya	0	4	0	0	10	N/A

Sources: Data have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

Table 9. T-shirts import evolution, U.S. general imports of men's, women's and children's knit shirts**shirts**

HTS Number	Country	2010	2011	2012	2013	2014	% Change 2013 - 2014
		(In thousands of dollars)					
6109	China	638,783	664,317	685,887	685,312	679,004	-0.90%
6109	Honduras	613,377	774,710	758,608	689,461	633,872	-8.10%
6109	Mexico	566,313	582,892	562,309	576,982	590,091	2.30%
6109	El Salvador	553,538	537,240	609,760	578,522	561,565	-2.90%
6109	Nicaragua	238,100	325,871	296,143	291,085	422,773	45.20%
6109	Kenya	3,921	10,990	14,714	20,519	28,109	37.00%
6109	Lesotho	15,859	16,945	16,387	18,333	14,972	-18.30%
6109	Tanzania	298	1,864	5,154	5,145	8,479	64.80%
6109	Mauritius	2,787	5,099	4,674	4,310	8,250	91.40%
6109	Madagascar	2,256	2,693	1,796	5,776	3,046	-47.30%

Table 10. Import evolution, U.S. general imports bed, bath and kitchen linen, annual data

HTS Number	Country	2010	2011	2012	2013	2014	% Change 2013–2014
<i>(In thousands of dollars)</i>							
6302	China	1,554,614	1,541,395	1,592,677	1,796,636	1,886,921	5.00%
6302	India	1,234,030	1,373,598	1,559,364	1,676,092	1,706,353	1.80%
6302	Pakistan	1,010,242	1,067,402	945,575	989,483	1,003,048	1.40%
6302	Turkey	128,717	129,027	142,862	151,985	170,518	12.20%
6302	Portugal	78,900	71,684	67,611	81,152	80,241	-1.10%
6302	Ethiopia	50	28	70	101	67	-33.00%
6302	South Africa	150	159	143	174	57	-67.10%
6302	Madagascar	6	15	13	18	46	159.10%
6302	Kenya	19	14	262	11	20	86.60%
6302	Rwanda	0	0	0	0	17	N/A

Sources: Data have been compiled from tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission.

4.5 Rwanda Exports

As shown in Table 11, Rwanda's exports to the U.S. of the pre-selected products are minimal. There were some exports of lab coats, bed linen and aprons in 2012 and 2013 for less than \$25,000.

Table 11. Rwandan exports for selected textile and apparel products (in thousands of dollars)

HS Code	Description	Exported value in 2010	Exported value in 2011	Exported value in 2012	Exported value in 2013	Exported value in 2014
6109	T-shirts, singlets and other vests, knitted or crocheted	0	11	1	19	61
62	Articles of apparel, accessories, not knit or crochet	21	32	4	65	272
6302	Bed, table, toilet and kitchen linens	1	31	4	0	15
6303	Curtains, drapes & interior blinds	0	1	10	0	0
6307	Made up articles, including dress patterns	2	1	1	26	3
Totals		24	76	20	110	351

Source: Trade Map

5. U.S. Tariff Structure

5.1 AGOA Tariffs for Rwanda

All pre-selected products in this analysis are imported duty-free into the U.S. To be eligible for trade preferences under the textile and apparel provisions, AGOA beneficiary countries must have in place an effective visa system to prevent unlawful transshipments and the use of counterfeit documents. Beneficiary countries must also have effective enforcement and verification procedures and be separately designated to receive this tariff treatment. In 2013, twenty-seven AGOA beneficiary countries also qualified for the general textile and apparel provisions. Some good news in this report is that this visa system is already in place in Rwanda.

AGOA beneficiary countries that had a per capita gross national product of less than \$1,500 a year in 1998, as measured by the World Bank, are accorded the status of least developed beneficiary countries (LDBCs). These countries may be eligible for additional preferential treatment for LDBCs (under the third country fabric provision and the textile provision described below) on the condition that such countries meet the textile and apparel provisions' requirements mentioned above. In 2013, 26 AGOA beneficiary countries were eligible for these additional textile and apparel benefits for LDBCs, including the third country fabric provision. Rwanda is eligible under the third country fabric provision.

Rwandan apparel exporters can import fabrics from any country in the world and still export their finished garments duty free to the U.S. This provision is included in the new Act, which is valid until 2025.

5.2 Tariff for Third Countries of Pre-Selected Products

Table 12. Duty rates for pre-selected products

Product Categories	Product Description	HS Code	Rate of Duty	
			AGOA eligible	General (if not AGOA or other special category)
Medical scrubs	Tops, CVS	620640-3030	YES	26.90%
Medical scrubs	Bottoms, CVS	620463-3510	YES	28.60%
Lab coats	CVC	621142-0081	YES	8.10%
Lab coats	CVS	621143-0091	YES	16%
Coveralls	CVC	621132	YES	8.10%
Coveralls	CVS	621133	YES	16%
T-shirts	Cotton	6109	YES	16.50%
Bed linen	Cotton	6302	YES	6%

6. U.S. Non-Tariff Requirements

6.1 Import Regulations for Textile and Apparel Products

Wearing apparel must have labels specifying content and instructions for care. All textiles must have either labels indicating the country of origin or, if this is not feasible, be packaged in such a way that country of origin is discernable to the ultimate purchaser.

Determining country of origin for assembled products is not difficult under AGOA. As long as the cut and sew operations take place in Rwanda and the final product is AGOA eligible, the country of origin is Rwanda. The certificate of origin is issued by Rwandan authorities. The exporter's invoice is stamped by

the same Rwandan authorities with the official AGOA Stamp. Other regulations concern those from the Consumer Product Safety Commission (CPSC), which has requirements for flammability. Additional and detailed information is available online at Informed Compliance Publications, Africa Growth Opportunity Act AGOA, and “Importing into the U.S,” AGOA Chapter 23, for further guidance.

6.2 AGOA Rules of Origin and Compliance

Certain textile and apparel articles that are imported directly into the customs territory of the United States from a beneficiary sub-Saharan African country will enter the United States free of duty and free of any quantitative limitations if the country has satisfied the requirements set forth in the Act. The Harmonized Tariff Schedule of the United States (HTSUS) has been amended to cover the new benefits by inserting new U.S. notes in subchapter II of chapter 98 and a new subchapter XIX in chapter 98. http://www.cbp.gov/sites/default/files/documents/icp065_3.pdf

Under a Special Rule, LDBCs countries will enjoy an additional preference in the form of duty-free/ quota-free access for apparel made from fabric originating anywhere in the world. The Special Rule is in effect until September 30, 2025 and is subject to a cap. The sum of (a) the cost or value of materials produced in one or more beneficiary countries plus (b) the direct cost of processing performed in those countries may not be less than 35% of the appraised value of the product when it enters the United States (and up to 15 % of that 35 % can be derived of U.S. parts or materials).

Effective visa system

The USG has provided countries with guidance on what the U.S. believes is required for an “effective visa system”.

- Each shipment covered by an original visa stamped on an original invoice.
- The visa must contain certain information such as date of visa, the quantity of goods being shipped, the preference grouping the goods qualify under, and a country code.
- Government must agree to cooperate with U.S. Customs Service to prevent unlawful trans-shipment and use of counterfeit documentation.
- Government must agree to permit verification visits to factories, producers, exporters and/or manufacturers.
- Government must require factories, producers, exporters and manufacturers to retain proper record relating to the production of goods for a period of five years.

6.3 Applicable Standards and Certifications

The American Society for Testing and Materials, ASTM (www.astm.com), is the recognized organization for worldwide standards. Under their Section 7, titled “Textiles”, ASTM publishes and updates standards. Most buyers and importers refer to these standards in their dealings with their vendors.

U.S. buyers, importers, brands or retailers, almost always require certifications. U.S. companies appoint audit and inspection companies to ensure that social compliance, safety, sustainability, performance and integrity specifications are achieved.

Key standards are described in a document titled “Apparel Quality Standard and Implementation”. A copy of this document is provided as a bibliographic reference at the end of this document. Intertek, SGS, Bureau Veritas, Asia Inspection and WRAP are among the leaders in the certification process. However, some large U.S. corporations have their own in-house certification, a justified investment because exporting apparel garments to the U.S. without them being certified is almost impossible.

6.4 Customs Procedures

The responsibility of the exporter is to provide proper documentation. U.S. Customs will only clear goods if the required forms are included and properly completed. The exporter needs to make sure there are at least three full sets of the documents—one of each for the producer, buyer and customs broker. Each box, pallet or container must also have a full set of documentation attached.

The producer prepares a commercial invoice—description and declaration of value of goods. The information must summarize the packing lists, be attached to each box, and explain contents of each. The producer or broker prepares the Certificate of Origin, usually obtained from the national chamber of commerce or designated ministry in some countries. Goods are then sent to a freight forwarder who prepares a bill of lading in case of land or maritime transportation or an airway bill in case of shipping via air.

6.5 Packaging and Labeling Requirements

The apparel industry uses cartons to ship garments. There is no specific size required to fill in the containers. Cartons or modules are adjusted to the type of exported garments based on importers specifications. Exporters are requested to indicate the country of origin, exporter's name and address, consignee, delivery address, and weight.

Importers issue their own packaging and labeling instructions. A “Vendor Packaging Manual”, provided by one interviewee, can be found here: <http://www.vendorcompliance.info/retailrs.htm>.

6.6 Other Requirements for and Limitations on Imports from Rwanda

Some importers request that their goods be stored in facilities and/or warehouses according to the Customs-Trade Partnership Against Terrorism (C-TPAT) rules. C-TPAT is a U.S. Customs and Border Protection (CBP) voluntary joint government-business initiative to build cooperative relationships that strengthen overall supply chain safety and border control. Concerning the textile and apparel industry there are no U.S. import-specific limitations for Rwanda.

7. U.S. Consumer Trends

Sustainability

Building sustainability into their sourcing supply chains is a major trend for all retailers and brands in the U.S. Sustainability in manufacturing is the result of creating manufactured products that use processes that are non-polluting, and conserve energy and natural resources. This makes manufacturing economically sound and safe for employees, communities, and consumers. In other words, sustainable manufacturing means conducting environmentally friendly practices with business efficiency.





The omni-channel trend in retailing

More and more retailers are taking an omni-channel approach. This business model aims to provide a consistent experience across the consumers' purchasing journey. This can start with providing consumers the tools for research before purchase. At time of purchase, the same product can be bought in a store, bought online or bought online and delivered in the store. Omni-channeling takes online sales seriously as online shopping (all sectors, not just apparel) is predicted to grow to \$370 billion by 2017, up from \$231 billion in 2012. In 2013, there were 191 million digital shoppers in the U.S.

The organic cotton trend

Cotton that is classified as "100% organic" is grown in an environment where no pesticides, chemical fertilizers, or herbicides have been used for a minimum of three years. To comply with this requirement, organic yarn spinners have set isolated processing areas in order to segregate the organic cotton from conventional cotton. The dyeing and finishing of organic cottons also follow a strict procedure for chemical use in processing, eliminating all materials harmful to the human body and the environment. Organic cotton is grown in neighboring Uganda. Considering the renewed interest in the U.S. for eco-friendly products, this trend could be attractive for Rwandan exporters.

The textile digital printing trend

Digital printing refers to methods of printing from a digital-based image directly to fabrics or garments. It usually refers to printing where small-run jobs are directly printed using laser or inkjet printers with great versatility in design and format. Digital printing has a higher cost per unit than more traditional screen printing methods, but this price is usually offset by avoiding the cost of all the technical steps required to make rotary or flat screens in conventional printing. It also allows for on-demand printing and short turnaround time. The savings in labor and the ever-increasing capability of digital printing means that digital printing is reaching the point where it can match or supersede screen-printing technology's ability to produce larger print runs of several thousand garments at a low price. Considering that investment is minimal, it might be attractive for Rwandan exporters.

8. U.S. Distribution

8.1 Origin of Imports (Key Competitors)

Table 13. Key strategy for top competitor

Products -HTS Number	Country Competitor #1	Key Strategy	Product Attributes
Medical scrubs, tops 6204633510	Vietnam	High volume Low price for value	Basic
Medical scrubs, bottoms 6206403030	China	High volume Low price for value	Basic
Lab coat, CVC 6211420081	China	High volume Low price for value	Basic, moderate
Lab coat, CVS 6211430091	China	High volume Low price for value	Basic, moderate
Coveralls, CVC 621132	Mexico	Speed to market Medium volume	Diversified line of products
Coveralls, CVS 621133	Mexico	Speed to market Medium volume	Diversified line of products
T-shirts 6109	China	High volume	Medium, with embellishment
Bed, bath, kitchen linen 6302	China	Moderate pricing High volume	Diversified

Please refer to 3.5 for additional characteristics of key competitors.

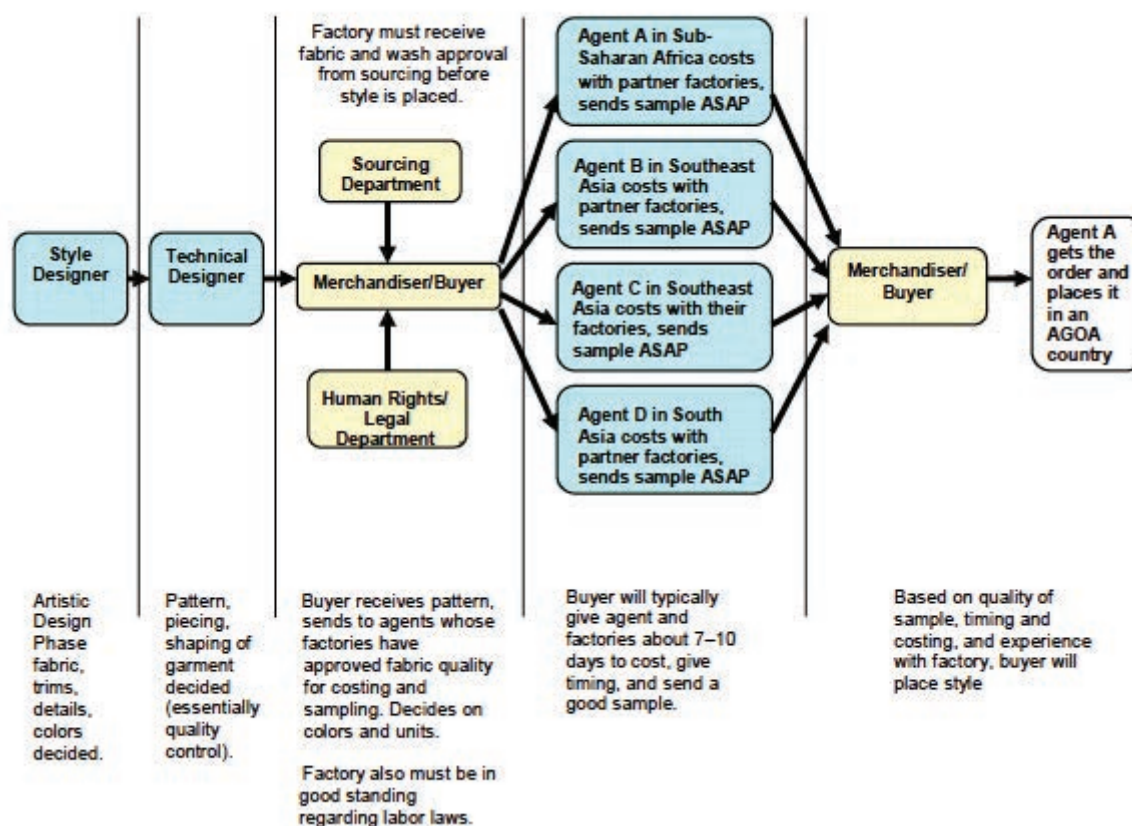
8.2 Type of Importers

Table 14. Importer expectations

Type	Has Title	Exports	Quality Control	Does Compliance	Selects Garment Factory	Imports	Does Distribution	Does Financing
International agents			X	X	X			
Inspection agency			X	X				
Garment factory only	X							
Vendor without factory	X	X	X		X			X
Exporter without factory		X	X		X			X
Importer/wholesaler						X	X	X
Factor/finance company						X		X

8.3 Supplier Selection

The chart below describes the selection and pre-production process, which leads to placing an order with a supplier.



Source: USAID East Africa Trade Hub project

8.4 Payment and Contract Terms

Contracts are issued in the textile and apparel industry as purchase orders (PO). A PO is a formal document between the buyer and seller that includes product specifications, price, quantities, delivery dates, delivery terms and shipping mode.

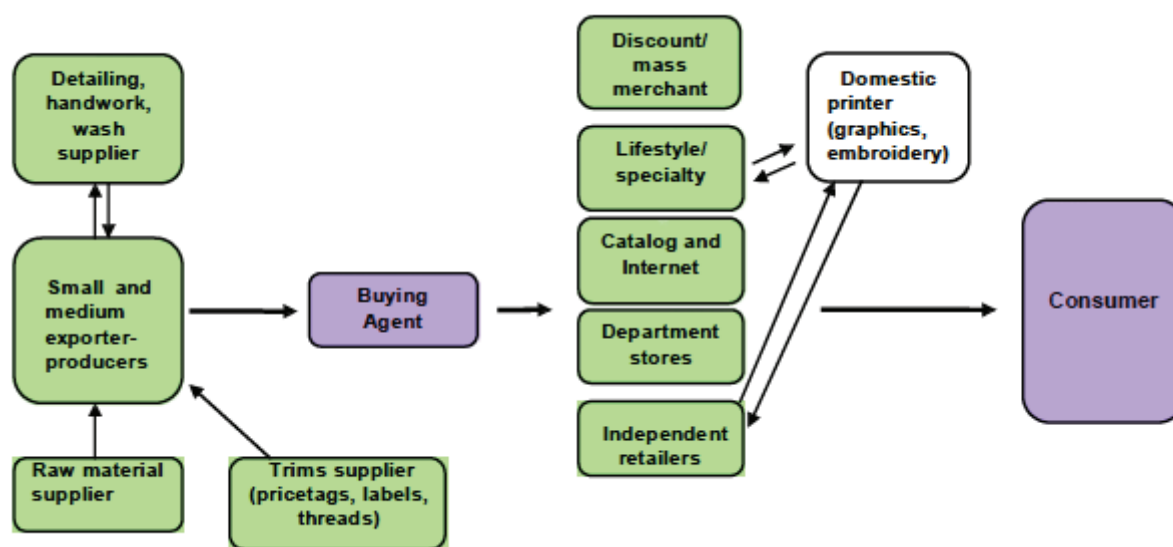
U.S. importers of textile and apparel products generally offer the following payment terms to their vendors.

- Irrevocable and transferable letters of credit, opened by U.S. or foreign banks.
- Payment of a deposit and balance transfer upon delivery.
- Transfer upon presentation of documents, including bill of lading.
- Open terms.

Most exporters of pre-selected products prefer transferable letters of credit. Opening back-to-back letters of credit to their fabrics suppliers can improve an exporter's cash flow.

8.5 Key Distribution Channels

Distribution channels for the global garment industry consist of various types of retail outlets, including e-commerce. Although the outlets' names may vary by country and market, the key retailer types remain the same. These include discount/mass merchant stores, department stores, lifestyle specialty stores, direct-to-consumer retailers (such as catalogues and Internet sales) and independent retailers. The chart below illustrates the key distribution channels in the garment industry, using the U.S. market as an example.



Source: USAID East Africa Trade Hub

8.6 Retail Channels

According to Cotton Inc., the U.S. apparel retail industry is currently organized into 15 channels. Those of special interest or attractiveness for Rwandan exporters are highlighted.

- Department stores.
- National chains.
- Mass merchants.
- Trend/youth store.
- Upscale apparel chain.
- Moderate apparel chain.
- Special size stores.
- Sports specialty.
- Children's specialty.
- All other specialty stores.
- Off-price retailers.
- Pure plays.
- Factory outlets.
- Catalogue.
- All other.

8.8 Survey of Selected Importers

In the uniform industry, in addition to the above importers, notable market participants are Williamsons Dickies, VF Imagewear, Carhartt, Superior Uniform Group, Cintas, Aramark, Pinnacle and Berne. In the T-shirt industry, Gildan, a Canadian-based company, dominates the market. It is headquartered in Canada and does most of its manufacturing in Honduras and El Salvador. In the bed linen industry, various competitors based in India and China are exporting to the U.S.

9. Sales Promotion – Relevant Practices

Prices in the apparel industry are volume-sensitive. Importers of large quantities expect and negotiate volume rebates. Discounts and rebates are not uncommon practices in apparel trade. Also, exporters should be aware that U.S. importers of apparel penalize suppliers for defects and delayed shipments. Penalties are quite common in case of quality and delivery issues.

9.1 Key Trade Fairs

In the textile and apparel trade, two U.S. trade shows are very significant in size and number of visitors. They attract most of the importers. They are:

Texworld U.S.A. (New York, January and July)

<http://texworldusa.us.messefrankfurt.com/newyork/en/for-attendees/welcome.html>

Held bi-annually, Texworld U.S.A. provides the opportunity to meet directly with a wide range of manufacturers from Asia, the Middle East and North America as well as manufacturers from many other regions around the globe. When visiting the webpage link, explore in-demand, affordable apparel fabrics, trims and accessories for every product line—women, men, juniors and children/infant wear.



SOURCING at MAGIC (Las Vegas, February and August)

<http://www.magiconline.com/sourcing-at-magic>

SOURCING at MAGIC is the network for textiles and apparel in the U.S. It is a link to the entire global supply chain. It is a major source of inspiration, education, innovation and resources that keeps fashion moving. With over 40 countries represented, this must-see destination attracts designers, brands and retailers alike to discover what they need to move their business forward.

The cost of sending an exporter to a trade show in the U.S. depends on the size of the booth and the selected type of decoration.

Booth space is the most expensive part. Most shows are in the range of \$5,000 for a standard booth of +/- 10 square meters (SQM). Most shows expect exhibitors to take care of their own decoration.

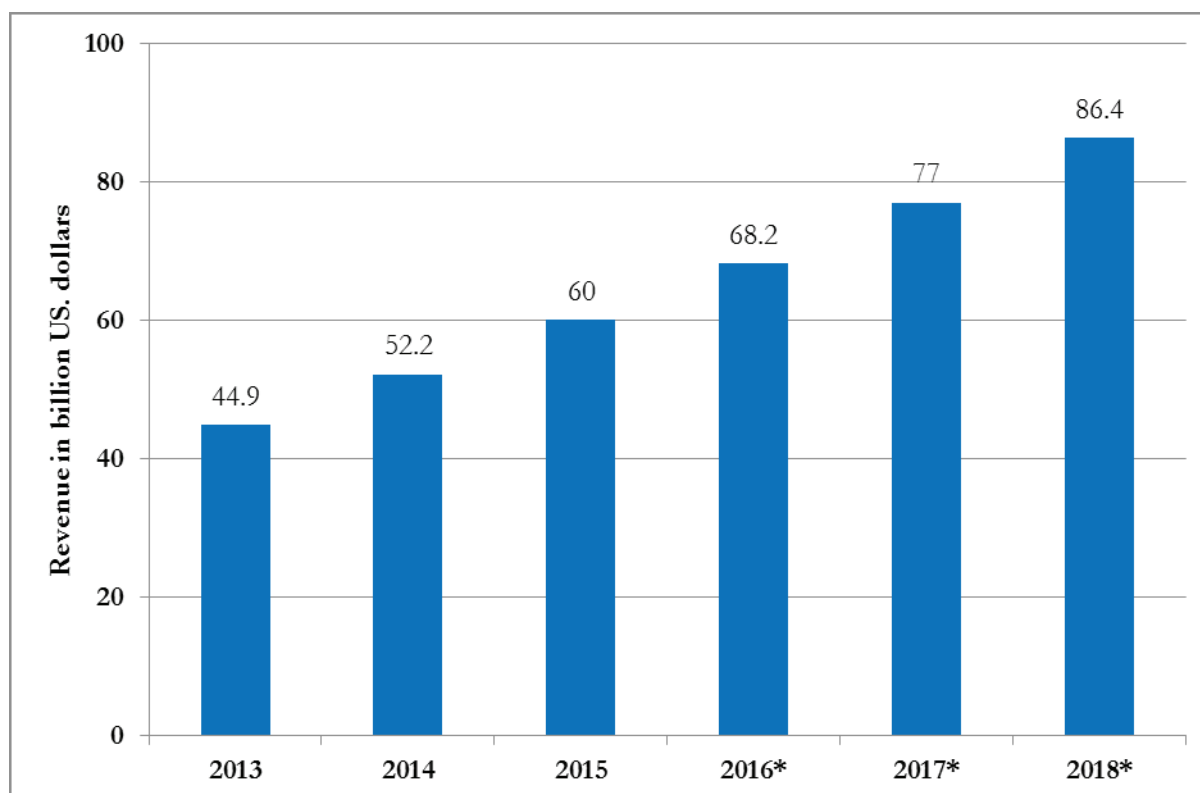
Additional costs

- A booth decorator will cost from \$1,000 to \$2,500 for a 10 SQM booth.
- Transportation costs depend on the number of people each exhibitor will send. Average economy tickets to Europe and/or the U.S. cost about \$1,000 to \$2,000.
- Accommodation costs depend on hotel category and city.

9.2 Internet

Apparel online sales were initially not as attractive to the consumer as other goods like electronics or hardware. The general feeling was that consumers like to try on garments and to physically see them. This is now largely a story of the past. Omni-channel retail, mostly a combination of stores and online websites, is very successful and growing faster than any other channel of distribution. Targeting retailers and brands with a strong presence in this channel will create better opportunities for manufacturers.

The chart below demonstrates the potential of growth of online sales of apparel.



Source: www.statista.com

9.3 Merchandising and Demos

Merchandising of garments requires that the product is presented properly, either on hangers or folded. Product should include a price tag, care label, size label, brand label, composition and country of origin. These requirements are described by importers in a technical package sent to the manufacturer. This document is usually well known to experienced exporters. It can be a challenge for new exporters to understand this document. Training of merchandisers at factory level would be helpful.

9.4 Strategic Alliances

Alliances formed by U.S. corporations with Rwandan and East African companies include Anthropologie, Edun, J. Crew, Kate Spade and Macy's. This type of business model is extremely attractive because it allows for the transfer of knowledge, skills and expertise. It also helps U.S. importers to become familiar with Rwanda. These alliances also help to build trust and confidence between partners.

10. Recommendations

10.1 Suggested Buyers and Products

During the course of the interviews two buyers were identified who would be interested in visiting Rwanda in February or March 2016. Their mission would involve exploring sourcing opportunities in greater detail. Both of them would like to meet officials and visit factories. Both companies are interested in sourcing polyester chief value products, preferably out of fabrics made in Rwanda. Specific contact information on these buyers has been shared during validation workshops.

10.2 Strategy and Target Markets for Rwandan Exporters into the U.S.

A large, new market for Rwanda such as the U.S. represents a number of challenges for the public and private sectors. Of particular importance are challenges posed to Rwandan producers in understanding market requirements, adapting their products and fulfilling U.S. buyers' expectations. Despite these challenges, supporting private firms in this process could be effective in increasing Rwanda's exports to the U.S. and achieving Rwanda's economic growth goals.

Rwanda is not on the map of the apparel sourcing community, importers and retailers yet. All interviewed stakeholders confirmed they never traveled to Rwanda. They also expressed they have little or no knowledge of Rwanda's capacities in textile and manufacturing. This could change soon as some buyers are interested in finding more information about Rwanda's potential exporters, especially when they were told that Rwanda is AGOA eligible. Rwandan public and private sectors need to take steps together to put Rwanda on the map of sourcing companies, importers and retailers in the U.S. as soon as possible and to let them know how some gaps in the supply chain can be addressed. As it stands today, based on their limited information, U.S. retailers would not source from Rwanda when speed-to-market is a key competitive advantage. This includes fashion retailers who look for short lead times.

Design and use of technological fibers remains a viable option for Rwanda. In one of the interviews, a buyer said that he could envisage sourcing from Rwanda to take advantage of polyester-made products because of their heavy-duty advantage. Doing business with Rwanda in these products assumes they would be part of a replenishment program with long lead times. This should be encouraging to the private and public sectors that all the pre-selected products meet these requirements. Additionally, the uniform market and the home textiles market, specifically the bed linen segment, are attractive for Rwanda to begin a more aggressive market penetration in this industry because these products do not require constant adjustment or change of specifications.

According to interviewees, Rwanda's textile and apparel production capacities are too small. Buyers expressed concerns when they were told about actual capacities and gaps. For example, there is no existing circular knitting capacity in Rwanda. Fortunately, not all opportunities are affected by such gaps. As can be recalled, this market analysis has identified the T-shirt market as a potential market for Rwanda. A representative of one buyer said it would only source garments from Rwanda requiring fewer than 10 operations. T-shirts meet this requirement and, based on current capacities, Rwandan exporters are equipped to cut and sew T-shirts. When asked if they would consider importing polyester T-shirts from Rwanda, this buyer made it clear that he would require fabrics to be available in country.

It will take two to three years before green field investments materialize. In the meantime, better fabric sourcing and development, including sourcing of trims and accessories, will increase buyers' confidence in sourcing apparel from Rwanda. This should include better links with fabric suppliers in Asia, including China and India.

Finally, a key recommendation from this exercise is for the Rwandan apparel industry to consider establishing offices in the United States to gain a better knowledge of the U.S. market. This recommendation came from one of the interviewees based on his experience seeing many countries with established promotion agencies in the U.S. If a fully-staffed promotion agency is a challenge, an alternative, short-term solution could be to hire sourcing agents who already have such offices. Table 15 below delves further into the strategic objectives, gaps and recommendations for the Rwandan textile and garment industry.

Table 15. Top recommendations

Strategic Objectives	Current Business Conditions	Recommendations
To develop a strategy to change perceptions about Rwanda and attract buyers to source in Rwanda	Very small manufacturing sector, two export-ready factories	To intensify contact with buyers through trade shows and inward visits
To increase training and develop skills at all levels of management	Buyers have very little knowledge of Rwanda Limited competitiveness in price and product development Lack of trained technical management in manufacturing position Lack of merchandisers Good designers	To take advantage of EAC exporters' exposure to the U.S. market Establish links with educational institutions in other countries, for example, Mauritius Integrate Design and Marketing Specific training for merchandiser
To increase capacity through investments in textiles and apparel	Rwanda has only 1 weaving mill and no knitting mill Buyers object to sourcing from a country with such a small capacity Existing equipment needs upgrade	Buyers and investors mission trips need to be organized by public sector Facilitation of investments to be increased

10.3 Next Steps

- Connecting exporters to buyers and building knowledge and trust between them is crucial to expanding exports to the U.S. tradeshow is a good avenue for this and considerable support has already gone towards establishing relationships between exporters and buyers in other sectors. Attending tradeshow is a tried and true practice of today's leading and emerging players in the garment industry as illustrated in some case studies and best practices described in the annex. In addition, actionable market data is essential and must move beyond generalities to product-specific details.
- Inward U.S. buyer visits should be organized and supported by Rwandan public and private sectors. The benefits accrued from these visits can lead to valuable learning and experience.
- To be competitive, Rwandan transportation and logistics systems, trained and competent to deal with the U.S., must be established and comply with entry regulations.
- To decide on investments opportunities in the local textile sector, a feasibility study is needed. U.S. buyers expressed interest in this matter.
- Training of professional merchandisers is essential for approaching the U.S. market professionally.



APPENDICES

APPENDIX I. COMMENTS ON INTERVIEWS OF U.S. RETAILERS AND/OR IMPORTERS

All interviewees assessed the competitive position of AGOA apparel exports to the U.S. market.

Their comments and recommendations include:

- Vendors are well regarded for their ability to deliver good-quality basic items requiring a relatively low number of stitches. However, buyers said Rwandan exporters would need to upgrade their factory technology to handle more complex designs. A representative of one buyer said it would only source garments from Rwanda requiring fewer than 10 operations, while trends in the higher-end market often require as many as 50.
- Better technology and more care needs to be devoted to meeting design requirements through accurate samples. One buyer said that one vendor had been unable to match color for a basic white garment, with samples coming back slightly brown.
- The largest discount retailers are always looking for lower prices, with the expectation that prices will drop each year. However, smaller branded apparel companies compete by placing a greater emphasis on trends, image, and style. These companies are willing to pay a premium for high-quality complicated designs and complex finishing.
- Apparel companies hire buyers with business or fashion skills rather than those with a background in textiles. Their buyers usually work with an agent who is familiar with vendors in a region and who oversees timely production and sometimes quality control.
- Giving immediate notice of production delays is critical as apparel companies must get their products in stores during seasonal windows. Rwandan vendors, for cultural or other reasons, often fail to do so, and the result can be cancellation or late penalties at the vendor's expense. Buyers and intermediary agents, therefore, look for vendors with a strong management team and a good delivery record.
- Fashion designers and buyers expect that, when a supplier quotes costing and timing for a style, it has taken into account the methods of stitching and the particulars of fabric and style that can affect production time. Errors are therefore unforgiving once a style has been signed off and costing and timing have been finalized. On the other hand, when supplying or pricing samples to a buyer with whom the supplier has a good working relationship, suppliers who are able to suggest changes based on practicality and cost that do not alter the intent, quality, or look of the garment can develop a competitive edge. The decision to make these revisions is ultimately in the hands of the buyer. Better fabric sourcing and development will increase buyers' confidence in sourcing apparel from sub-Saharan Africa. This should include better links with fabric suppliers in Asia, including China and India.
- Excellent compliance with labor standards is still critical, but no longer provides a country with a competitive advantage because most countries are now on a leveled playing field in this regard. Only poor compliance and public scandal will take business away. Because one bad occurrence can affect the image of all vendors in a country, it is important to all African vendors that compliance remains excellent across the entire industry.

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- The African apparel industry should consider establishing offices “in the market” in the United States. Most factories in Central America, South America and Mexico have buying offices in such cities as New York, Los Angeles and Miami. China also has offices in most markets—mostly in California—that are privately owned and/or attached to export promotion agencies. Counting on such offices means better customer service, especially given time zone differences, culture, language and other communication issues. This is true at the product development stage and in tracking deliveries and orders.

APPENDIX II: LIST OF INTERVIEWS TO IMPORTERS

Paul Swisher, Director of Sourcing and Product Development, PowerTex Group

Anill Joyram, CEO, M-Source International

Alvaro Larain, Vice President Global Sourcing, Full Beauty Brands (FBB)

Charles Sheppard, Executive Vice President, Sourcing and Logistics, Superior Uniform Group

APPENDIX III: REFERENCES

- CBP brochure: What every member of the trade Community should know about AGOA http://www.cbp.gov/sites/default/files/documents/icp065_3.pdf
- Importing into the United States, a Guide for Commercial Importer <https://www.cbp.gov/sites/default/files/documents/Importing%20into%20the%20U.S.pdf>
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- Apparel Quality Standard and Implementation, Gopalakrishnan Duraisamy

ANNEX 2. HOME DECOR & FASHION SECTOR U.S. MARKET ANALYSIS FOR SELECTED PRODUCTS FROM RWANDA

I. Executive Summary

This U.S. market research analysis was developed on five HS product level categories in the fashion accessories and home furnishing sectors where Rwanda has the greatest potential for export in the U.S. market. This analysis is intended to guide Rwanda's action plan to take advantage of the African Growth and Opportunity Act (AGOA). The market analysis is formulated from The Harmonized System (HS), an international nomenclature for the classification of products. The HS system allows participating countries to classify traded goods on a common basis for customs purposes.

The data attributes of the five product level categories demonstrate:

1. Sales and market potential in the U.S.
2. Growth of imports to the U.S. from global exporters.
3. Growth of imports to the U.S. under AGOA countries, specifically.
4. U.S imports exceeding U.S. exports in the product categories.
5. An existing import/export relationship between the U.S. and Rwanda in all five categories.
6. A growth pattern within four of the five product categories in exports from Rwanda to the U.S.

To direct current and future Rwandan exporters to take advantage of these import opportunities to the U.S., the market analysis provides:

1. The historical import purchase volumes to the U.S. at the product level.
2. The global value of competitors for U.S. imports at the product level.
3. The global price competition of U.S. imports at the product level.
4. The AGOA export standards, certifications and rules of origin required to export to the U.S.
5. The various criteria, definitions and promotional landscape to supply the U.S. market.
6. Interviews with current and potential U.S. buyers to understand the constraints and opportunities in Rwanda with recommendations.

Based on market demand for products made in Rwanda, the analysis concludes that production can be scaled up to develop specific industries in Rwanda. As outlined in this report, several benefits are expected from investments in this sector to increase trade between the U.S. and Rwanda. Increased production will engage larger numbers of small and medium-sized enterprises (SMEs) while positively affecting job creation among women and the youth.

This report is organized in different sections starting with a general description of the pre-selected products for Rwanda and the relevant U.S. market characteristics. The report then delves into the tariff and non-tariff structures affecting these products from Rwanda and from other competitors around the world. Key information is offered to the Rwandan sector on U.S. consumption trends and how current suppliers meet demand through distribution and sales practices. The report concludes with key recommendations for immediate action.

2. Pre-Selected Products From Rwanda

This report analyzes Rwandan exports to the U.S. from five chapters of the Harmonized Tariff Code (HTC). The product categories represent three diverse marketing opportunities in the U.S. market: (a) jewelry, (b) fashion accessories and (c) home furnishings and décor.

Table I. Pre-selected products from Rwanda

HTC Chapter	Range	Description	Criteria for Product Selection
42	4201-4206	Articles of leather, harness, travel goods, etc.	<ol style="list-style-type: none"> 1. An existing investment model – Kate Spade Inc. 2. Growth in U.S. imports/growth in Rwanda exports 3. High value product-skilled work force
46	4601-4602	Manufactures of plaiting material, basketwork, etc.	<ol style="list-style-type: none"> 1. Strong existing workforce – employs women 2. 10 year + export relationship with U.S. 3. U.S. market product awareness 4. Domestic raw material supply
63	6301-6310	Other made textile articles, sets, etc.	<ol style="list-style-type: none"> 1. An existing regional export market 2. Large domestic textile mill 3. Leverage textile investment for various product categories.
71	7113-7117	Jewelry, precious stones, metals, coins, etc.	<ol style="list-style-type: none"> 1. A high-value/lightweight product – air shipment viability 2. Strong growth potential in U.S. market 3. Skilled labor force development
97	9701-9704	Works of art, collectors pieces and antiques	<ol style="list-style-type: none"> 1. Increased exports to the U.S 2. High-value product 3. Diversified products/diversified workforce 4. This category can serve the small independent makers

3. General Introduction to the U.S. Market for Pre-Selected Products

The top market characteristics of the pre-selected product categories for Rwanda in the U.S. market are described as follows:

1. Approximately \$100 billion in global exports to the United States in 2015.
2. AGOA countries accounted for about 16.3% of U.S. global imports in these product categories.
3. The U.S. ranked number one in global imports for four categories and number three in HS code 71 (behind Switzerland and China).
4. The U.S. is the largest customer of Rwandan exported products in three of the five categories. In HS code 71, United Arab Emirates and Hong Kong are ahead of the U.S. In HS code 63, regional sales in the East African Region outpace exports to the U.S.
5. Each category shows an increase in imports by the U.S. from 2010 to 2015, from HS code 71 growing 1.6% to HS code 97 growing 14.21%.
6. Each represents a double digit increase in imports from Rwanda except for category 46, which decreased 12% in 2014.

4. U.S. Market Structure and Characteristics

4.1 Market Size

The market size in the five product categories represented \$99.5 billion in U.S. imports in 2015. In all five categories, imports increased from 2010 to 2015 from 1.6% to 14.2% by category. In all categories except for 71 (jewelry), the U.S. is ranked number 1 in global imports. The five product categories represent 4.2% of total imports to the U.S. in 2014.

Table 2. Trade indicators

Code	Product label	Imported value 2015 (in thousands of dollares)	Annual growth in value 2010–2015 (% p.a.)	U.S. ranking in world imports
TOTAL	All U.S. imported products	\$2,241,663,715	2.8%	1
42	Articles of leather, harness, travel goods	\$13,867,487	6.6%	1
63	Other made textile articles, sets	\$14,186,960	4.4%	1
71	Jewelry, precious stones, metals, coins, etc.	\$59,343,871	1.6%	3
46	Manufacture of plait- ing material, basket- work, etc.	\$529,572	5.8%	1
97	Works of art, col- lectors pieces and antiques	\$11,587,385	14.2%	1

Sources: ITC calculations based on UN COMTRADE statistics.

4.2 Market Segments

Market segmentation is a marketing strategy which involves dividing a broad target market into subsets of consumers or businesses by common needs, interests and priorities. This process allows for the design and implementation of more customized marketing strategies to target them. Through careful segmentation and targeting, businesses can often achieve a competitive advantage to become the preferred choice of consumers, thus gaining market share. Market segmentation serves both the consumer and the marketer in

the following ways represented in the chart below:

Table 3. Market segments

Segmentation	Purpose	How market segmentation serves the consumer
Behavioral	Better matching of customer needs	Customer needs differ. Creating separate products for each segment is more inclusive.
Demographic	Enhanced profits for business	Customers have different disposable incomes and vary in how sensitive they are to price. By segmenting markets, businesses can raise average prices and subsequently enhance profits.
Psychographic	Better opportunities for growth	Market segmentation can build sales. For example, customers can be encouraged to "trade-up" after being sold an introductory, lower-priced product.
Sociographic	Retain more customers	By marketing products that appeal to customers at different stages of their life ("life-cycle"), a business can retain customers who might otherwise switch to competing products and brands.
Geographic	Target marketing communications	Businesses need to deliver their marketing message to a relevant customer audience. By segmenting markets, the target customer can be reached more often and at lower cost.

The following chart captures the current customer profile for the Rwandan product categories selected and successful marketing partnerships to reach this consumer:

Segmentation	Current target customer profile for Rwandan product categories	Examples of successful U.S.-Rwanda marketing partnerships in the products selected
Behavioral	Philanthropic mindset, global view, cultural diversity, political awareness	Macy's/ Rwanda Baskets of Peace/ Gahaya Links
Demographic	College educated, higher economic bracket, disposal income, female	Indego Africa/ J. Crew
Psychographic	Product purchase is beyond product value, reasons to buy are layered, supports women's empowerment	Anthropologie/ Mille Collines
Sociographic	Purchase has impact on society	Eileen Fisher/Ingezi Knit Union
Geographic	Urban, city dweller, global traveler	Kate Spade "On Purpose"/ADC

Table 4. Customer profile for Rwandan products**4.3 Pricing and Origin**

The largest U.S. trade importers by country for each of the five product categories are shown with price points range, lead times and production minimums indicated in the charts below.

Table 5. Price and production for products from top three exporters in each category.

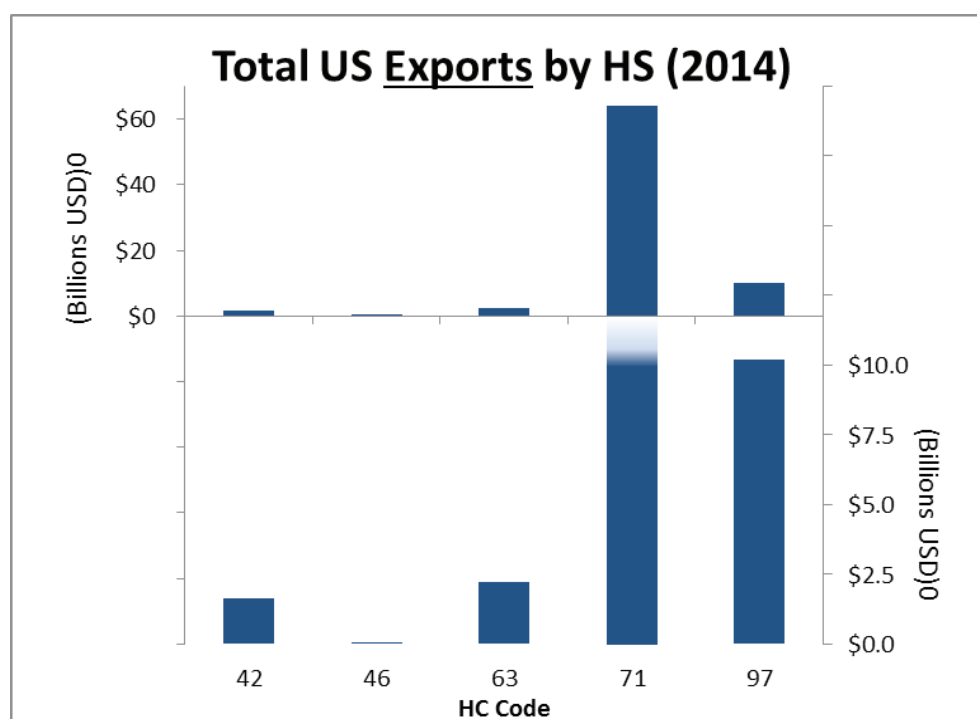
Price and origin of top three countries exporting to the U.S., by HS code				
All USD				
42 Articles of leather, harness, travel goods				
Export country	HTS Code	Description	Production lead time/minimum	Unit price FOB
China	4202	Leather messenger bag	30–35 days/1000 pieces	\$9–10
Italy	4202	Leather satchel	50–80 days/50 pieces	\$25–55
Vietnam	4205	Leather/bamboo bag	60 days/ 200 pieces	\$5–\$8
46 Basketwork, wickerwork & other articles				
Export country	HTS Code	Description	Production lead time/minimum	Unit price FOB
China	4602	Sea grass tote w/ cotton lining	30 days/300 pieces	\$5–\$8
Vietnam	4602	Sea grass tote w/ leather	45 days/200 pieces	\$2.50–5.00
India	4602	Wicker laundry basket	20days/100 pieces	\$12.50–\$16.50
63 Other made textile articles, sets etc.				
Export Country	HTS Code	Description	Production lead time and minimum	Unit price FOB
China	6307	Printed linen cotton cushion cover	30 days/21 pieces	\$2–\$6
India	6307	Cotton hand-embroidered cushion cover	30 days/25 pieces	\$3–\$5
Pakistan	6302	Hand-embroidered napkins	60 days/5000 pieces	\$1–\$2.50
71 Jewelry, precious stones, metals, coins, etc.				
Export Country	HTS Code	Description	Production lead time and minimum	Unit price FOB
India	7117	artificial bangles, bracelets, copper	30 days/10 sets	\$10–\$15
Israel	7111	silver plaited necklace with glass stones	45 days/60 pieces	\$12–\$16
Mexico	7114	sterling silver ring	30 days/20 pieces	\$11–\$26
97 Works of art, collectors pieces and antiques				
Export Country	HTS Code	Description	Production lead time and minimum	Unit price FOB
France	9703	hand carved marble statues	20 days/1 piece	\$400–\$550
UK	9702	set of lithographs	15 days/set of 6	\$40–\$50
Germany	9701	acrylic paint on canvas	15 days/1 piece	\$800–\$1200

Sources: Ardonn, Israel; Art Palace, Rajasthan, India; Abdullah Home Textiles, Karachi, Pakistan; Deep Trade S.R.L Prato, Italy; Guangzhou United Honor Enterprises Ltd., Guangzhou, China; Huong Dang Artistic Handicrafts, Hanoi, Vietnam; Henan Jingqi Crafts Co., Ltd., China; Mami Beteiligungs GMBH, Germany; Real Antique Ltd., United Kingdom.

4.4 U.S. Domestic Exports

In 2014, the U.S. exported \$1.5 trillion in goods globally with Canada being the largest export customer by value. Of this total, the five designated HC categories (42, 43, 63, 71 and 97) totaled \$73.6 billion. The largest export product within the five categories in 2014 was HS 71. The largest product exports were jewelry, assembled, and part-precious and semi-precious stones, not assembled. Valued at \$64 billion globally, the largest U.S. export customers for HS 71 were Hong Kong, China followed by Switzerland. The HS category 97 represents roughly \$10 billion with the largest export customers being the United Kingdom and Switzerland respectively. The largest product exports were paintings, drawings and statues. The U.S. export trade deficit in the five product categories is \$21.2 billion. The following chart illustrates these figures for 2014 with U.S. exports in the upper part, while U.S. imports in the lower part. The X axis shows the HC 2-digit code for home décor and fashion products in the U.S., as outlined above.

Figure I. Total U.S. exports by HS.



Sources: ITC calculations based on UN COMTRADE statistics.

4.5 U.S. Import Evolution by Top Countries, 2010–2015

These tables demonstrate the import evolution by the three top countries exporting to the U.S. as of 2015.

Table 6. Import evolution by top countries in each product category

HS CODE DESCRIPTION: 42 Articles of leather, harness, travel goods						
(In thousands of dollars)						
Exporters to USA	Value in 2010	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015
China	7,455,718	8,052,246	8,416,411	8,651,119	8,541,451	8,698,621
Italy	587,507	794,020	907,608	988,341	1,090,818	1,033,630
Vietnam	269,039	373,152	525,388	752,443	960,732	1,121,208
HS CODE DESCRIPTION: 46 Basketwork, wickerwork & other articles made from plaiting materials						
(In thousands of dollars)						
Exporters to USA	Value in 2010	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015
China	261,121	313,186	314,172	298,813	300,337	325,649
Vietnam	21,398	30,551	36,220	49,769	60,566	67,411
India	21,273	21,724	26,387	30,022	36,083	31,411
HS CODE DESCRIPTION: 63 Other made textile articles, sets, worn clothing, etc.						
(In thousands of dollars)						
Exporters to USA	Value in 2010	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015
China	5,878,099	6,212,440	6,366,360	6,798,028	7,095,628	7,711,453
India	1,543,621	1,754,215	1,940,910	2,107,504	2,176,263	2,355,387
Pakistan	1,319,770	1,404,367	1,285,783	1,335,130	1,350,304	1,359,925
HS CODE DESCRIPTION: 71 Jewelry, precious stones, metals, coins, etc.						
(In thousands of dollars)						
Exporters to USA	Value in 2010	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015
India	6,860,552	8,012,593	7,122,299	9,288,179	9,569,818	9,828,894
Israel	7,883,818	9,346,016	8,374,955	8,966,645	9,446,763	8,868,723
Mexico	6,603,555	9,772,613	9,633,604	7,107,308	5,724,734	5,084,036
HS CODE DESCRIPTION: 97 Works of art, collectors pieces and antiques						
(In thousands of dollars)						
Exporters to USA	Value in 2010	Value in 2011	Value in 2012	Value in 2013	Value in 2014	Value in 2015
France	1,927,893	1,843,357	1,746,792	2,857,121	2,479,696	3,356,282
United Kingdom	1,176,440	1,391,021	1,796,872	1,676,248	1,677,932	2,085,927
Germany	478,694	463,101	872,668	843,973	1,111,965	1,068,589

Sources: ITC calculations based on UN COMTRADE statistics.

In addition to capturing the top three countries exporting to the U.S, this chart also shows the evolution from an emerging U.S. supplier to a top competitor serving the U.S. market by country. For example, in 2010 for category 42, Vietnam exported \$269 million of total U.S. imports valuing \$10 billion or roughly 2.7% of the total. By 2015 Vietnam exported \$1.1 billion of total U.S. imports to the U.S., valuing \$13.8 billion or 8.1% of total imports. This demonstrates the potential for diversification of supply within this product and the appetite for diversified supply, particularly in a category trending growth in sales. This example, coupled with correct market conditions, demonstrates a supplier's ability to move from an emerging to a main product competitor within a few short years.

4.6 Rwandan Exports

Rwandan exports to the U.S. increased 28.7% from 2010- 2014 overall in the five selected product categories. At an individual product level, each category increased double digits over the same period except for 46, woven basket items, which decreased 12%. For this (the largest product category in the grouping), basket exports from Rwanda to the U.S. was ranked 21 by country in 2014 ahead of South Africa, Sri Lanka and Germany.

Rwanda is currently an emerging supplier for all five product categories demonstrating cumulative growth over the last four years. Still in 2015 exports in these product categories were around \$800,000 (some under AGOA and others under GSP). Most exporters are small compared with the size of companies in other countries that have a strong craft and creative sector such as India, Thailand, Indonesia and Mexico among others.

Figure 2. Value of Rwandan exports to U.S.

Rwanda Exports to USA (in 1000 USD)				
HS Code	HS Description	Value in 2010	Value in 2014	Growth in value between 2010-2014 (% , p.a)
42	Leather Goods	\$25	\$201	58%
46	Woven Items, Basket	\$508	\$367	-12%
63	Other Textile Items	\$2	\$19	57%
71	Jewelry	\$45	\$140	14%
97	Works of Art	\$22	\$48	19%

Figure 3. Rwandan exports to U.S. by HS code.

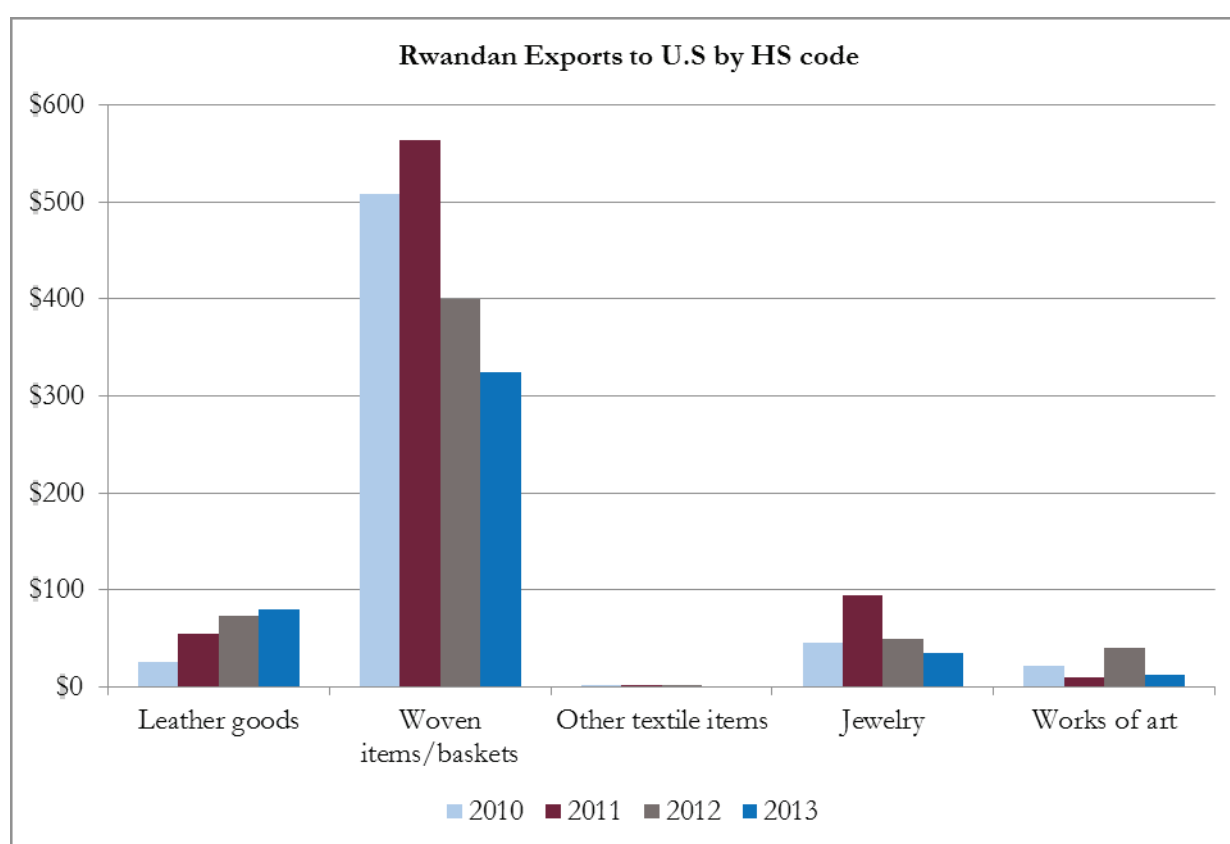


Table 7. Value of selected imports 2010–2013

Year	Leather goods	Woven items/baskets	Other textile items	Jewelry	Works of art
2010	\$25	\$508	\$2	\$45	\$22
2011	\$54	\$564	\$1	\$94	\$10
2012	\$73	\$400	\$1	\$49	\$40
2013	\$80	\$325	-	\$35	\$12

Sources: ITC calculations based on UN COMTRADE statistics.



5. U.S. Tariff Structure

5.1 AGOA Tariff for Rwanda

AGOA provides duty-free status to certain U.S. imports originating in selected sub-Saharan African countries. In order to qualify for duty-free status under AGOA the products must adhere to the following requirements:

- Be included in the list of GSP-eligible articles, OR
- Be included in the list of AGOA products, OR
- Be a qualifying apparel or textile item; AND
- The products must be imported into the United States directly from an AGOA beneficiary country or pass through another country in a sealed container and addressed to a location in the United States; AND
- The products must be the “growth, product, or manufacture” of the AGOA beneficiary country by fulfilling the Rules of Origin requirements.

Table 8. U.S. tariffs for selected home decor & fashion products.

U.S. tariffs for selected home decor and fashion products			
Product description	HS Code	Rate of duty	
		AGOA eligible	General (if not AGOA or other special category)
Articles of apparel, of leather or of composition leather	4203.10.40	Yes	6%
Cases, bags and containers with outer surface of leather, of composition leather or patent leather	4202.91.00	Yes	4.50%
Handbags w. or w/o shld. strap or w/o handle of mat. (o/t leather, shtng. of plas., tex. mat., vul. fib. or paperbd.), pap. cov. of mat. NESI	4202.29.50	Yes	7.80%
Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, n/o \$20 ea.	4202.21.60	Yes	10%
Trunks, suitcases, vanity & all other cases, occupational luggage & like containers, surface of leather, composition or patent leather	4202.11.00	Yes	8%
Luggage, handbags and flat goods, whether or not lined, of bamboo	4602.10.29	Yes	6.20%
Table ware & kitchen ware, of wood: Forks & spoons	4419.00.40	No	5.30%
Statuettes and other ornaments, of wood	4420.10.00	No	3.20%
Wooden clothes hangers	4421 10 00	Yes	3.20%
Luggage, handbags and flat goods, whether or not lined, made from plaiting materials	4602.10.29	Yes	5.30%
Products of plaiting materials, bound together in parallel strands or woven, in sheet form,	4601.99.00	Yes	2.70%
Mats, matting and screens of vegetable materials	4601.21.40	No	3.30%
Plants and similar products of plaiting materials	4601.92.05	No	2.70%
Basketwork, wickerwork and other articles	4602.11.05	No	5%
Baskets & bags, whether or not lined, wickerwork	4602.11.07	No	Free
Wickerwork	4602.11.35	No	Free
Footwear with uppers of vegetable fibers	6404.19 03 60	No	7.50%
Footwear with upper soft textile material	6404 19 37	No	12.50%
Formed uppers for footwear, of leather (men)	6406.10.05	Yes	6%
Formed uppers for footwear, of leather (women & children)	6406.10.10	Yes	6%
Synthetic or reconstructed precious or semiprecious stones, unworked or simply sawn or roughly shaped	7104.20.00	Yes	3%
Sets of two or more knives or forks w/silver handles or spoons and ladles of silver, whether or not clad or plated w/precious metal	7114.11.45	Yes	3%
Pearls, natural or cultured, whether or not worked or graded but not strung, mounted or set; pearls, natural or cultured	7101 10 30	No	Free
Paintings, drawings and pastels	9701.10.00	No	Free
Original engravings, prints and lithographs, or not framed	9702.00.00	No	Free
Original sculptures and statuary, in any material	9703.00.00	No	Free

Source: U.S International Trade Commission.

5.2 Tariff for Third Countries

Products that do not qualify for preferential treatment under AGOA will be subject to tariff rates under the Harmonized Tariff System (HTS) U.S. For example, if a gold bracelet is manufactured in a non-beneficiary country and imported into an AGOA beneficiary country whereby beads are added in the AGOA beneficiary country to embellish the bracelet for import and sale into the U.S, the Rule of Origin requirement would not apply. In this case, the U.S. tariff would apply.

6. U.S. Non-Tariff Requirements

6.1 Import Regulations

A Rwandan exporter must follow several U.S. regulations when importing products into the United States. These regulations vary depending on the types of products being imported. It is the responsibility of the exporter to work with Rwandan authorities to obtain the proper AGOA Textile Certificate of Origin form under the AGOA Country of Origin Rule, and a textile visa if exporting textiles or apparel. Additionally, some product categories require further certifications to comply with U.S. standards for product safety and clearance through U.S. Border Protection.

6.2 General Import Regulations

- African Growth and Opportunity Act (AGOA) 19 U.S.C. 3701
- Visa Regulations/Textile Visa Form
- Country of Origin: Marking of Imported Articles and Containers Title 19, United States Code, Chapter 4, Section 130

6.3 AGOA Rules of Origin (ROO) and Compliance

In order for a product to qualify for AGOA preferential treatment it must comply with the ROO. The ROO are as follows:

- Items must be “growth, product or manufacture” of one or more AGOA beneficiary countries.
- Non-textiles: If a product is made from foreign materials that are imported into an AGOA beneficiary country to be used in the production of an AGOA-eligible product, the cost of the materials produced in the AGOA beneficiary country plus the costs of processing must equal at least 35% of the product’s appraised value when the product is sold for export into the United States. For U.S. originating materials: the total of up to 15% of the 35% local content value (as appraised at the U.S. port of entry) would qualify for AGOA preferential treatment.
- Apparel and textiles: The Rules of Origin requirements for apparel and textiles include:
 - o Textiles or textile articles originating entirely in one or more lesser-developed beneficiary Sub-Saharan African countries.
 - o Eligible hand loomed, handmade, or folklore articles, and ethnic printed fabrics.
- A certificate of origin from the manufacturer is given to the importer prior to presentation of entries to the U.S. Customs Service claiming an AGOA preference. The importer is required to possess the certificate of origin and be able to present it upon demand by the U.S. Customs Service. The visa arrangement establishes documentary procedures for each shipment of eligible textile and apparel products from a designated beneficiary sub-Saharan African country to the U.S., as outlined on the U.S. Department of Commerce International Trade Administration website.
- [Link to Office of Textiles and Apparel \(OTEXA\) Certificate of Origin.](#)

6.4 Visa Textile Regulations and Certifications

AGOA beneficiary countries must establish effective visa systems and institute required enforcement and verification procedures before any of their apparel and textile exports to the United States can receive AGOA benefits. Rwanda currently has an established visa system with the U.S.

6.5 Applicable Standards and Certifications

The following standards and certifications are required for the pre-selected products from Rwanda:

- a) 42 Articles of leather, harness, travel goods
 - i. Leather Products 16 C.F.R. 24, Guides for Select Leather and Imitation Leather Products
These guides apply to the manufacture, sale, distribution, marketing or advertising of all kinds or types of leather or simulated leather, including footwear.
- b) 46 Manufactures of plaiting material, basketwork, etc.
- c) 63 Other made textile articles, sets, worn clothing, etc.
- d) The U.S. Department of Commerce publishes a Guide to United States Apparel and Household Textiles Compliance Requirements for the following codes:
 - i. Flammable Fabrics Act Title 15, United States Code, Chapter 25, Sections 1191-1204.
 - ii. The Textile Fiber Products Identification Act Title 15, United States Code, Chapter 2, Subchapter V, Section 70 16 C.F.R. 303, Rules and Regulations under the Textile Fiber Products Identification Act.
 - iii. Standard for the Flammability of Clothing Textiles Section 16 CFR Section 1619.
 - iv. 16 C.F.R. 1630 Standard for the Surface Flammability of Carpets and Rugs and 16 C.F.R. 1631 Standard for the Surface Flammability of Small Carpets and Rugs.
 - v. Rules Requiring a General Certificate of Conformity (GCC)
 - vi. Used or Second-hand Stuffing The Textile Fiber Products Identification Act.
 - vii. Flammability of Upholstered Furniture and Bedding.
 - viii. Formaldehyde labelling programs
- e) 71 Jewelry, precious stones, metals, coins, etc.
 - i. Lead-Containing Jewelry Law. California Health & Safety Code Section 25214.1 et seq. prohibits any person from manufacturing, shipping, selling or offering jewelry for retail sale in California if the jewelry contains lead above specified levels and also requires that the jewelry be made entirely from specified materials. Businesses of all sizes are subject to the law. A warning that the jewelry might contain lead above the specified levels is not an acceptable “safe harbor”.
 - ii. The buyer may require a seller to provide a Lead Certificate attesting that the jewelry being sold does not contain a level of lead that would prohibit the jewelry from being sold or offered for sale in California, pursuant to the law.
 - iii. For each purchase order, a buyer may require a Lead-Containing Jewelry Certificate or a substantially similar worded certificate.
 - iv. 97 Works of art, collectors’ pieces and antiques.

6.6 Customs Procedures (Also Applicable to All Imports)

U.S Customs and Border Protection (CBP) requires certain procedures to be followed to import merchandise into the U.S. Many times importers will have additional requirements for exporters according to their specific standards and guidelines for suppliers. It is important to know what both U.S. Customs requires and the specific requirements for the importer.

6.7 Customs Procedures for Rwandan Exporters

There are several documents required for U.S. Customs clearance. Sample documents are available. Below is a list of required documents.

- a) Commercial invoice for all products OR pro forma invoice including the following:
 - Written in English.
 - Full address of shipper/exporter.
 - Full address of consignee/importer.
 - Port of entry to which the merchandise is destined.
 - Country of origin.
 - Style number.
 - P.O. number.
 - Complete item description.
 - Quantity.
 - Unit price and total in U.S. dollars.
 - Shipping terms (F.O.B., C.I.F., Ex WORKS, etc.).
 - Invoice should list a complete description of the merchandise including the contents of the item (i.e., 100% cotton, plastic, wood).
 - Complete name and address of the factory that produced the merchandise.
- b) Export packing list: Packing list forms are available from the commercial stationer and/or freight forwarder. Detailed packing lists include:
 - Seller and buyer.
 - Shipper.
 - Invoice number.
 - Date of shipment.
 - Mode of transport.
 - Carrier.
 - Itemized quantity.
 - Description.
 - Type of package (box, crate, drum or carton).
 - Quantity of packages.
 - Total net and gross weight (in kilograms).
 - Package marks and dimensions.
- c) A Country of Origin Certificate is required for all products, prepared by the exporter and submitted to the importer prior to the importer claiming the products at U.S. Customs. See http://agoa.info/images/documents/2588/new_AGOA_textile_certificate_of_origin.pdf for AGOA Certificate of Origin and refer to Section 5.2 of this document for further information.
- d) The visa stamp for textiles is affixed to the commercial invoice and is issued by the Rwanda Revenue Authority.
- e) An airway bill is required for air freight shipments. (USPS, FedEx, UPS, DHL, etc.) OR
- f) A bill of lading is required and consists of a contract between the owner of the goods and the carrier. For products imported by vessel a straight bill of lading (non-negotiable) or negotiable or shipper's order bill of lading are required. A negotiable bill of lading may be bought, sold or traded while the products are in transit. The customer usually needs an original as proof of ownership to take possession of the goods.
- g) Electronic Export Information (formerly known as the Shipper's Export Declaration) filing: Electronic Export Information (EEI) is the most common of all export control documents. It is required for shipments above \$2,500 and for shipments of any value requiring an export license. It has to be electronically filed via the AES Direct online system, which is a free service from Census and Customs.

- h) Generalized System of Preferences (GSP) Certificate, if required.
- i) Toxic Substance Control Act Statement (TSCA), if applicable.

6.8 Customs Procedures for U.S. Importers

- a) AGOA Form 7501: The U.S. importer must request duty-free treatment under AGOA on customs entry Form 7501 by placing a “D” in column 27 in front of the U.S. tariff number that identifies the imported article. See http://agoa.info/images/documents/5133/CBP_Form_7501.pdf
- b) To receive AGOA preference on a tariff item with SPI “D” in the “Special” column of the HTSUS, the importer will file the entry summary with SPI “D” and without duty.
- c) To receive AGOA preference on a tariff item with the SPI “A” in the “Special” column of the HTSUS (and thus no “D”), the importer will file the entry summary with SPI “A” but without duty.
- d) U.S. Customs Appraisal: It is the responsibility of the importer to use reasonable care in the appraisal of goods. See https://www.cbp.gov/sites/default/files/documents/icp001r2_3.pdf for information on how customs value is calculated. This calculation includes:
 - i. Packaging costs.
 - ii. Selling commission.
 - iii. Royalty and licensing fees incurred by a buyer.
 - iv. The value of free assistance that may have been provided to the buyer conditional upon the sale.
 - v. “Direct costs of processing” include the cost of labor, engineering or supervisory quality control, machinery costs (and depreciation of machinery and equipment), and Research and Development costs (R&D).

6.9 Packaging and Labeling Requirements

The Textile Fiber Products Identification Act (TFPIA) requires that most textile products have a label attached listing:

- The generic names and percentages by weight of the constituent fibers in the product.
- The name under which the manufacturer or other responsible company does business or, in lieu thereof, the registered identification number (RN number) of such company.
- The name of the country where the product was processed or manufactured.

The TFPIA also contains advertising and record-keeping provisions. A label is required to be affixed to each textile product and, where required, to its package or container in a secure manner. Such label shall be conspicuous and shall be of such durability as to remain attached to the product and its package throughout any distribution, sale and re-sale and until sold and delivered to the ultimate consumer.

6.10 Shipping Requirements

The shipping label must look like the example below:

CONSIGNEE:
SHIPPER: Complete name and address of shipper
SIDE MARKING:
P.O. #
STYLE #
SIZE:
COLOR:
QTY:
CARTON NO: _____ OF _____
ORIGIN: MADE IN _____
GROSS WT: Kgs or Lbs
NET WT: Kgs or Lbs
CARTON DIMENSIONS: X Cbms or Inches
CUBIC METER: M

In addition, there are several requirements for shipping.

- a) Country of Origin: Marking of Imported Articles and Containers Title 19, United States Code, Chapter 4, Section 1304.
- b) All products imported into the U.S. must conform to 19 CFR 134, Country of Origin Marking regulations. These regulations require that every article of foreign origin (or its container) imported into the U.S. be marked in a conspicuous place as legibly, indelibly and permanently as the nature of the article (or container) will permit and in such a manner as to indicate to the ultimate purchaser in the U.S. the English name of the country of origin of the article at the time of importation.

6.11 Recommended Resources

- Importing into the United States: A Commercial Guide for Importers. <https://www.cpsc.gov/PageFiles/113831/iis.pdf>
- African Growth and Opportunity Act (AGOA): Background and Reauthorization. Brock R. Williams, Analyst in International Trade and Finance, April 22, 2015 <https://www.fas.org/sgp/crs/row/R43173.pdf>.
- Lists and Codes of U.S. Ports (Required by Customs) http://agoa.info/images/documents/2412/List_and_Codes_of_US_Ports.pdf.
- Trade Acronyms <http://agoa.info/toolkit/trade-acronyms.html>.
- Trade Terminology <http://agoa.info/toolkit/terminology.html>.

7. U.S. Consumption Trends

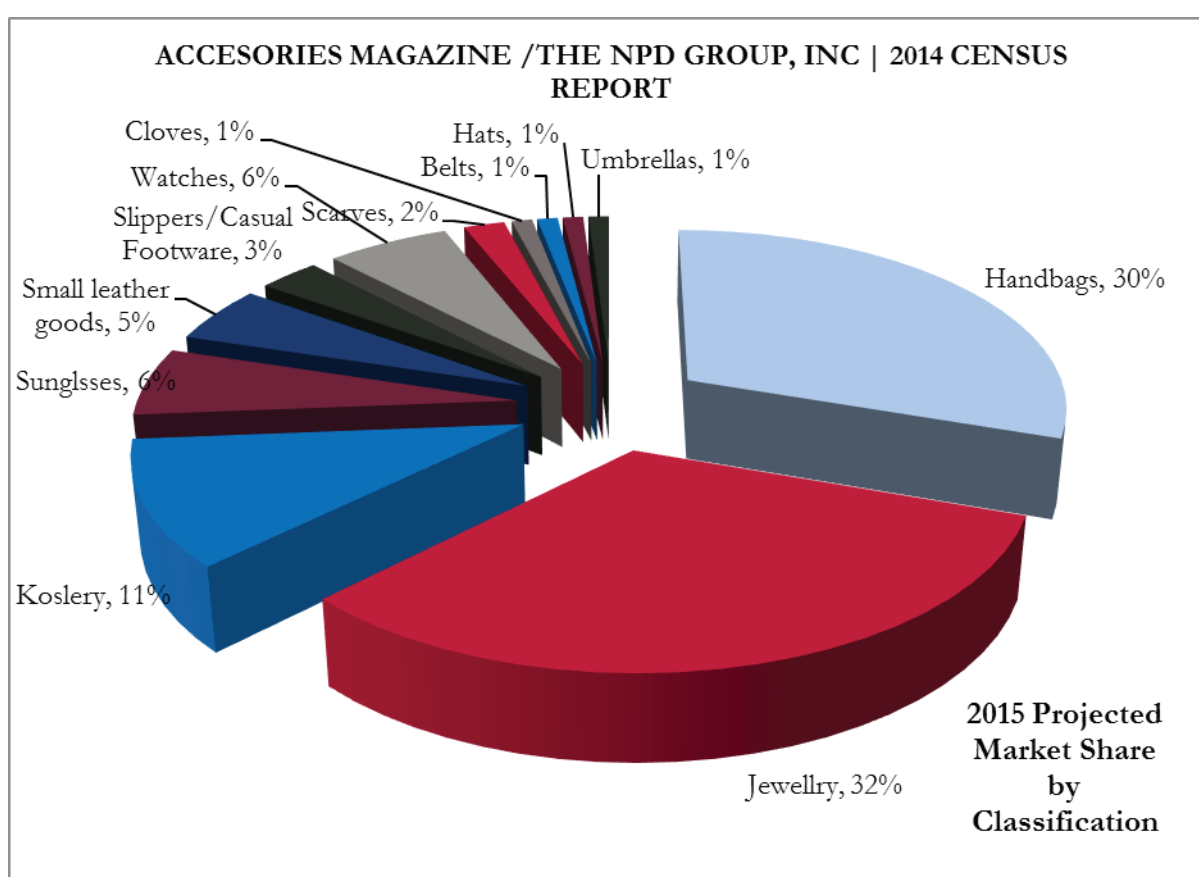
7.1 Current Consumption Trends

Current consumption trends for the U.S. market vary by market segmentation. U.S. consumption habits increasingly reflect how their purchases affect the rest of the world in all the categories. Within the consumer segmentation for the five products, some of the current consumer trends include:

- Supply/value chain traceability—“How does my purchase affect those who made it?”
- Renewable, up-cycled or repurposed materials—“How does my purchase affect the environment?”
- Personalized product experience—“How does my purchase reflect my personal choices?”
- Interconnectedness, community—“How can my purchase connect me to others?”
- Organic, natural fiber sourcing, nature—“How can my purchase connect me to the planet?”
- Social impact—“How can I make my dollars count for the greater good?”

By product classification, consumption trends show an increase in all recommended product categories. A 2015 projection report done by The NPD Group, Inc., shows more than 60% of the U.S. accessory market share in the classifications of jewelry and bags.

Figure 4. Projected market share by product category, 2015.



In 2015, *Home Accents Today* magazine reported an increase of 5.9% in the home decor classification from the previous year. This information is according to the latest data from the U.S. Customs Service, U.S. Census Bureau and U.S. International Trade Commission. Importers working exclusively in East Africa have reported market demand for baskets, specifically baskets as wall art, lidded baskets and sculpture.

7.2 Current Consumption Trends – U.S. Imports

In the five selected product categories, U.S. imports exceed \$25.89 billion from U.S. exports in the same categories during 2015. Within these categories, from 2010 to 2015, imports increased within the range of 1.6% to 14.2% in any product category. U.S. import trends in the following products are:



Product: 42 Articles of leather, harness, travel goods

- United States of America's imports represent 18.26% of world imports for this product.
- In 2014 the United States of America imported \$ 13,308,700.
- In 2014 the U.S. ranked 1 in world imports in this category.
- U.S. import growth in value between 2010–2014 increased 8%.
- The largest importer to the U.S. in this category for 2014 was China at \$8,541,451.

Product: 46 Manufactures of plaiting material, basketwork, etc.

- United States of America's imports represent 26.01% of world imports for this product.
- In 2014 the United States of America imported \$507,844 worth of this product.
- In 2014 the U.S. ranked 1st in world imports in this category.
- U.S. import growth in value between 2010–2014 increased 6%.
- The largest importer to the U.S. in this category for 2014 was China at \$275,081.

Product: 63 Other made textile articles, sets, etc.

- United States of America's imports represent 23.09% of world imports for this product.
- In 2014 the U.S. imported \$13,248,358 worth of this product.
- In 2014 the U.S. ranked 1st in world imports in this category.
- U.S. import growth in value between 2010–2014 increased 4%.
- The largest importer to the U.S. in this category for 2014 was China at \$7,095,628.

Product: 71 Jewelry, precious stones, metals, coins, etc.

- United States of America's imports represent 10.43% of world imports for this product.
- In 2014 the U.S. imported \$63,198,807 worth of this product.
- In 2014 the U.S. ranked 3rd in world imports in this category.
- U.S. import growth in value between 2010–2014 increased 3%.
- The largest exporter to the U.S. in this category for 2014 was India at \$9,521,822.

Product: 97 Works of art, collectors' pieces and antiques

- United States of America's imports represent 37.25% of world imports for this product.
- In 2014 the U.S. imported \$9,183,959 of this product.
- In 2014 the U.S. ranked 1 in world imports in this category.
- U.S. import growth in value between 2010–2014 increased 11%.

7.3 Current Consumption Trends – AGOA Imports

In 2015 all U.S. imports from AGOA beneficiary countries decreased 29.6% compared to the previous year. Within this overall decrease in total imports, the total value of the designated five categories also show a decrease of 21.4% over the same period. The overall decrease in AGOA exports in 2014 can be attributed to a reduction in petroleum, the largest AGOA export product.

Table 9. U.S. imports from AGOA beneficiary countries.

U.S. imports from AGOA beneficiary countries				
Product HS category	Value in 2012	Value in 2013	Value in 2014	Value in 2015
All products	\$46.7 billion	\$37.2 billion	\$25.1 billion	\$18.4 billion
71 Jewelry, precious stones, metals, coins, etc.	\$3.3 billion	\$3.1 billion	\$3.7 billion	\$2.9 billion
97 Works of art, collectors' pieces and antiques	\$50.8 million	\$57.7 million	\$58.8 million	\$68.5 million
42 Articles of leather, harness, travel goods	\$7.2 million	\$8.7 million	\$11.1 million	\$9.4 million
46 Manufactures of plaiting material, basketwork, etc.	\$3.8 million	\$4.1 million	\$4.6 million	\$3.9 million
63 Other made textile articles, sets	\$4.4 million	\$3.2 million	\$3.1 million	\$5.0 million
Total HS category AGOA imports	\$3.4 billion	\$3.2 billion	\$3.8 billion	\$3.0 billion
HS code % of total AGOA imports	7.28%	8.56%	15.18%	16.3%

7.4 Future Consumption Trends – The Tech Revolution

Future consumption trends are strongly influenced by the global revolution occurring in technology. Technology advances increasingly drive consumer choices. Access to information leads to speed and ease in finding more purchasing options, which creates a much more competitive environment for consumer goods. Additionally, this technological revolution has spurred a variety of changes in how consumers make decisions on what they will buy and who will influence them to purchase.

Connections to friends and to social media influencers mean that consumers are no longer solely hearing the voice of the manufacturer when deciding where to spend. This is creating more complexity within an already-complex global supply chain system. The general consensus among trend watchers and trendsetters is that the technological revolution is accelerating well beyond their ability to predict outcomes of consumer trends in the same ways they made predictions previously. The speed of information is changing the face of manufacturing and creating intense market conditions in ways the industry has never seen before.

The idea that the consumer, not the manufacturer, dictates future trends is revolutionary. Manufacturers must be hyper aware of rapid changes and able to respond to consumer interests. For example, social networks serve as shopping platforms. Over the last several years, brands have used social media to market their products, talk to customers and even make merchandising decisions. In the coming years, merchants will add “selling” to the list of things they can do on social sites. Access to this platform is increasingly mobile. Mobile access continues to grow in all directions worldwide, showing no sign of slowing down. Smartphones and tablets will continue to play a bigger role in the shopping journey. A 2015 Deloitte survey reports that 45% of all smartphone users are making purchases with their device every month.

8. U.S. Distribution

8.1 Origin of Imports (Key Competitors)

The global key competitors for U.S. imports in the five products categories are in Southeast Asia. This part of the world competes on volume, price, speed to market and technology. This region has dominated the market over the last 25 years but has seen an increase in labor costs. Moreover, consumers are demanding a more transparent supply chain. This has more recently resulted in importers showing interest in diversifying their sourcing into East Africa.

Regionally, key competitors in the East African community vary in a number of factors, but primarily in terms of material supply and access to raw materials. Ethiopia leads the region in exports of leather hides, finished leather goods in accessories and footwear. In 2014 Ethiopia exported \$4.7 million in HS 42, a 207% increase from 2010–2014. In East Africa the main competitor in HS 46 (basket category) is Kenya. Kenya competes on volume and price. With U.S. basket exports growing from 2013 to 2014 of 40%, Kenya has a 10.5% share of total exports to the U.S.

8.2 Types of Importers

- a) A buying agent is an individual or company, responsible for all interaction with the seller on behalf of an importer. An agent typically works for a commission paid by the buyer or the seller. An agent rarely invests capital in inventory or directly handles or takes ownership of merchandise.
- b) An export management company (EMC) handles export operations for a domestic company that wants to sell its product overseas. The EMC handles marketing and promotions, overseeing labelling and packaging, arranging shipping and sometimes arranging financing. In some cases, the EMC takes title of the goods, essentially becoming an importer. EMCs usually specialize by product category or type and, unless they have taken title, are paid by commission, salary or retainer plus commission.
- c) An import merchant purchases goods directly from a manufacturer and then packs, ships and resells the goods on his own. This means that, unlike the EMC, the import merchant assumes all the risks as well as the profits. The import merchant can include the role of wholesale distributor, being the face of the transaction to the end user.
- d) Import distributors play a vital role in the import business by taking possession of goods for further delivery or sale into a country. Suppliers or exporters benefit from import distributors because multiple wholesalers, retailers or end consumers can be reached through a single distributor. A full service import distributor imports different products from different suppliers, takes possession of the goods and warehouses them. The import distributor makes a profit by selling the items to a wholesaler or the end consumer at higher price.
- e) Direct to consumer importer is an importer that also sells and distributes directly to consumers. Regardless of brick and mortar stores or online retailing, this importer cuts out the distributors' margin by sourcing directly from the manufacturer. Often a buying agent or export management company will be used to manage the direct buying and manufacture relationship.

8.3 Supplier Selection

An average U.S. importer spends roughly half its revenue on purchasing goods and services. This makes a company's success dependent on their interactions with suppliers. The procurement manager (or buyer) managing these supplier relationships holds an extremely valuable role. The job consists of managing substantial purchasing budgets that need a return on investment to keep the company profitable. This role requires the buyer to define and measure what "best value" means for the company and then to execute procurement decisions accordingly. The supplier selection process can vary significantly between organizations but in general it is the process in which a buyer identifies, evaluates and contracts with

suppliers.

Finding viable new suppliers is challenging, mainly due to the need to verify the supplier's ability to meet the buyer's myriad requirements. Supplier non-performance on even the most basic level can have dire consequences for the buyer so a supplier evaluation process is important. Depending on the buyer's request, a supplier may need to provide:

- Request for quote (RFQ) or "bids" for the contract.
- Contract terms such as price, lead time and payment terms.
- Product samples that meet the buyers' specifications.
- Reference checks and financial statement.
- Price negotiations to arrive at the contract terms.
- Standards, certifications and control process for U.S. export.
- Monitoring of supply during the life of the contract.
- Communication methods that are timely and accurate.
- Policies, procedures and training in place to ensure adherence to quality standards.
- Product testing to ensure performance to the buyer's requirements.
- Supplier site visits to the production facility and interviews with staff.

Because identifying and qualifying potential suppliers can be time consuming and costly, buyers often develop a long-term supply base consisting of qualified suppliers. However, to survive in an intensely competitive marketplace, it is often important not only to develop existing suppliers but also to also discover new suppliers.

Several factors can make a new supplier important:

- A structural cost advantage over existing suppliers.
- A favorable import/export framework in its home country, like AGOA.
- A product innovation in technology, product design or performance.
- The ability to help the buyer simply drive competition or reduce supply demand.
- To meet supplier diversity goals, when preference is given to disadvantaged businesses, small businesses and minority- or woman-owned businesses
 1. United Airlines supplier diversity program <https://www.united.com/web/enUS/content/company/globalcitizenship/supplier.aspx>
 2. IBM supplier diversity program <http://www03.ibm.com/procurement/proweb.nsf/contentdocsbytitle/United+States~Supplier+diversity>



8.4 Payment and Contract Terms

The supplier selection process culminates in a contract between the buyer and the supplier. The contract specifies the actions of the buyer and supplier or how the contract will be executed in non-payment terms and how the supplier will be paid by the buyer in payment terms.

Payment terms vary from different types of importers. With the development of large, long-term supplier relationships (and with key export partners in Asia) many U.S. importers are accustomed to having their exporters fully fund their production. This allows the buyers' payment terms to extend from net 30 to 60 days, based on reception of the consignment in their distribution center against purchase orders. This can cause problems for suppliers that cannot match these payment terms. Regardless of a supplier's ability to offer net terms on a contract, these terms must be negotiated at the contract phase, particularly if it limits the suppliers' ability to deliver orders based on cash flow requirements.

A buyer's payment terms can also be specified as contingent on certain actions by the supplier. These can take the form of penalties for late shipment, quality defects or shipping outside of specified instructions on packing or labeling as examples.

8.5 Key Distribution Channels

The next table illustrates the key distribution channels.

Table 10. Key U.S. distribution channels.

U.S. key distribution channels			
Channel type	Import method	Characteristics	U.S. examples
Discount/mass-market chain	Import merchandise directly through their own sourcing agents and from exclusive overseas production facilities	<ol style="list-style-type: none"> 1. High volume 2. Low price 3. High turnover 4. Strict shipping 5. Strict charge-back policies 	Walmart Target TJ Maxx Sam's Club Kmart
Lifestyle brands	Mixed import sourcing model- wholesalers, distributors, direct importing	<ol style="list-style-type: none"> 1. Higher price 2. Better seller margins 3. Affluent customer 4. Direct to consumer marketing 5. More flexible terms 6. Looking for unique product 	Crate & Barrel Pottery Barn Bed Bath & Beyond Anthropologie West Elm
Catalogue	Mixed import sourcing model- wholesalers, distributors, direct importing with agents or export reps	<ol style="list-style-type: none"> 1. Greater flexibility 2. Smaller, more frequent orders 3. Flexible terms 4. Need specialty products 	Sundance Smith & Hawken L.L. Bean Horchow Gump's
Department stores	Mixed import sourcing model- wholesalers, distributors, direct importing with agents or export reps	<ol style="list-style-type: none"> 1. Larger volume, program order 2. Lower price points 3. Compete with mass chain at higher price 4. In need of product differentiation to compete 	Nordstrom Macy's Bloomingdales, Neiman Marcus
Alternative trade organizations/fair trade	Direct relationship with manufacturers, artisan groups	<ol style="list-style-type: none"> 1. Trade for economic development 2. Lower price points 3. Mid-level volumes mix of container and air shipment 4. Payment advances/ finance production 	Ethical Fashion Fashion Revolution Ten Thousand Villages People Tree Equal Exchange
Specialty retailers	Work through wholesalers/ Prefer landed goods	<ol style="list-style-type: none"> 1. Pay in margin to not hold inventory 2. Require domestic shipping 3. Replenish often 4. Long term relationships with established wholesales 	Smaller-size organizations

8.6 Retail Structure – The Omni-Channel

In today's rapidly changing retail landscape, diversified retail is changing the ways of doing business based on consumer demands. A single channel is no longer enough, which is why traditional retailers are looking to go online and why e-tailors are looking at various options to establish a physical presence. Omni-channel is a multi-channel approach to sales that seeks to provide the customer with a seamless shopping experience, whether the customer is shopping online from a desktop or a mobile device, by telephone or in a brick-and-mortar store. For many years, online channels have been treated as a distinct, separate channel without integration with the overall brick-and-mortar business model. This is rapidly changing as customers demand information about delivery times and shipping options, regardless of where within the retailer's network they are situated. Whether the customers are in a physical store, on a computer or on a mobile device, they require the same service levels and access to information throughout the entire shopping experience. The retail challenge is to find a seamless solution for both the customer experience and internal operations processes.

In the omni-channel supply chain the customer rules. How does this effect supply chain management?

- This supply chain increases the pressure to be agile and lean as customer preferences change quickly.
- Customers demand better service, higher availability of the product and faster delivery.
- This supply requires supply chain strategies to respond to the changing marketplace by developing alternative solutions.
- A one-size-fits-all approach to supply chain management no longer exists.
- Speed and convenience rule this model, so merchants will come up with better and faster ways to get products into the hands of their customers.

Omni-channel marketing creates pressure to increase marketing effectiveness in the following ways:

- Consumers demand a more personalized shopping experience.
- Customized marketing offers based on consumers' shopping behavior are important.
- The majority of marketing spending is often derived from online marketing.
- Given the ever-changing online world, it is a challenge in itself to know which channels to use to get the highest conversion rate and sales performance.

8.7 Survey of Selected Importers

The interviews were conducted through February 2016 and focused on the five product categories to understand limitations and opportunities buyers see within the market. Details are provided in Appendix I of this document.

The U.S. importers who were interviewed involved three types: (a) diverse businesses doing large volumes from East Africa but not currently trading in Rwanda; (b) companies that import from Rwanda in addition to East and West Africa; and (c) companies that import exclusivity from Rwanda. They offered their experience of the barriers to trade in Rwanda, which influenced the AGOA action plan for this sector. In general, there were many similar comments regarding issues in doing business in Rwanda, including issues with customs declaration, taxes and the high cost of logistics and business support. Furthermore, the limitations of textile mills and manufacturers of textiles in Rwanda represented major barriers for companies because of cost to import goods and fewer options for domestic supply.

Competitiveness is affected by four main factors. First, the high cost of importation of materials and the time related to bring it to Rwanda.; second, the cost of training the generally unskilled labor force in both technical and management aspects. The third factor is best described as limited innovation through R&D while the fourth main factor is a missing progressive investment model to support a growing industry.

The survey also provided positive comments. For instance, all participants responded positively to the image of Rwanda as a positive, strong voice of Africa. Rwanda's respected system of governance and the general interest by the rest of world in Rwandan culture, tourism and wildlife conservancy also help in building a country brand. All this provides a positive environment to attract and attain investment for the next phase of Rwanda's growth and industry development.

9. Sales Promotion – Relevant Practices

9.1 Key Trade Fairs

For the jewelry, fashion accessories and home decor sectors, there are various international trade fairs to assist in meeting buyers. Although major retailers, lifestyle brand and department stores attend trade shows, these players do not place orders at these events. They attend primarily for the purposes of market review. Historically, these shows are a means for wholesale brands to connect to retail stores. Before participating in a trade show an exporter should be trained on the buyers' expectations to be sure there will be a return on investment for the buyer and seller.

A selection of trade shows for Rwandan export-ready exhibitors in these sectors include:

Artisan Resource (New York in January and August)

Artisan Resource at NY NOW is a production-sourcing venue for overseas artisan enterprises to showcase their products and production capabilities at export terms from the country of origin. Artisan Resource connects U.S.-based importers with international producers and exporters. Artisan Resource exhibitors have experience in meeting exports demands and are selected for their commitment to design innovation, cultural preservation, social enterprise and sustainability.

Santa Fe International Folk Art Market (Santa Fe, New Mexico, in July)

International Folk Art Market | Santa Fe fosters economic and cultural sustainability for folk artists and folk art worldwide and creates intercultural exchange opportunities that unite the peoples of the world. Each year over 20,000 visitors come to Museum Hill to experience the market and celebrate folk art while enjoying international food and music.

Designers and Agents Show (New York in February and Los Angeles in March)

Designers & Agents® is an independent, international trade fair for hundreds of collections and thousands of retailers who define the direction in fashion and life style. Identifying emerging talent and creating an intimate, synergistic environment that fosters relationships between designers and buyers, each of D&A's shows in New York and Los Angeles (which typically attract 3,000 retail and media visitors) are pre-edited, art-directed and merchandised to create a sense of camaraderie and discovery. D&A features brands from the United States, Europe, Japan and around the world that are the influencers in the advanced contemporary market, the segment of the women's market that continues to experience consistent growth.

Coterie Show (New York in February)

Coterie is a premier global marketplace that bridges women's apparel and accessories designers to the international "Who's Who" of retailers. Coterie builds exclusive shopping experiences from the ground up so that designers and buyers can create a synergy that fuels their businesses. Coterie is a platform for generating revenue and inspiring trends.

Ambiente (Frankfurt, Germany, in February)

This German-based show attracts European and U.S. buyers. Space is very limited (usually sold out well in advance) as this show gets repeat customers, it is important to plan early. Ambiente is the world's most important consumer goods trade fair with maximum international attention and a trade audience with significant decision-making authority in the dining, giving and living areas. Increase your chances at the heart of the market.

10. Recommendations

10.1 Suggested Buyers and Products

Currently, the U.S. customer supporting Rwandan apparel and fashion products is a targeted consumer market. This consumer is affluent, with disposable income who has significant brand loyalty and expects high value and high quality for the price she is willing to pay for personal and home products. In addition, this customer, when presented with the opportunity to buy products linked to a social cause, is very willing and open to support such initiatives. Many brands are consistent in incorporating a marketing strategy that includes socioeconomic/corporate responsibility aspects that appeal to this customer's sense of altruism. Some examples are, Kate Spade "On Purpose", Anthropologie and Macy's.

While this trend (known as "cause marketing") may initially draw this consumer to a purchase, their buying dollar ultimately goes to a quality good from a brand they are loyal to. What this means to Rwandan producers (some already in this market) is that, to remain competitive in this strong and profitable U.S. market segment, delivering on price, quality, customer service, lead times and product diversification is critical to stay and grow in this market.

10.2 Strategy for Rwandan Exporters for the U.S. Market

Market strategy goals:

1. To have Rwanda evolve from an emerging supplier country to a competitive supplier country in the product categories recommended.
2. To have these categories of supply evolve into creative industries for Rwanda.
3. To have economic, social and environmental impact measurements in place, derived from the international standards and certifications that importers/buyers require for each industry.

Table 11. Market strategy for Rwandan exporters to the U.S.

Export strategic objectives	Current business conditions	Recommendations
To develop a plan to attract, nurture and retain a buyer/seller relationship in a formal industry model.	<ul style="list-style-type: none"> • Informal sector defined as handicrafts, not operating as an industry • Very little experience or understanding of buyer requirement at a firm level • Limited competitiveness in price, speed to market, product innovation and technology 	<ul style="list-style-type: none"> • The formation of business associations formalized by sector: Home, Fashion, Art • Market, immersion training by sector
To define education and training requirements to formalize industry.	<ul style="list-style-type: none"> • Underdeveloped technical skills • Inadequate equipment & machinery • Limited pool of middle management for hire • Limited access to qualified trainers 	<p>Organize training within business associations to facilitate:</p> <ul style="list-style-type: none"> • Export and customs procedures for SMEs • Promotion and training of new management from within existing SMEs • Exposure to buyers in both formal and informal environments
To market emerging supply strengths to attract sector investment and buyers.	<ul style="list-style-type: none"> • Most buyers are not currently aware of Rwanda as a source location 	<ul style="list-style-type: none"> • Buyers' mission trips • Online platform to promote sectors • Link tourism and sector promotion in trial marketing tests

APPENDICES

APPENDIX I: COMMENTS ON INTERVIEWS WITH U.S. IMPORTERS TRADING WITH RWANDA

A) U.S. Importer, Swahili Imports: interview with Leslie Middleberg, CEO

Leslie has been a major U.S. importer of products from East Africa for over 20 years. She has developed buying relationships with many large U.S. brands including West Elm, Crate and Barrel, Urban Inc. and others. When asked about sourcing product in Rwanda, Leslie shared the following insights:

- The price of items is a major barrier for her. The basket business out of Senegal, Kenya, and Uganda is large; Rwandan baskets, however, cannot compete on prices with these other countries.
- There is growth in baskets, textile home furnishings, table top and jewelry in her business and new products, innovation and competitiveness are key factors to successful exporting to the U.S. She added: "Baskets are a growing category for us. We are always looking for new product but it must be at the right price for our market. We ship containers from Kenya so we can handle the volume business but with that volume comes price competitiveness which we have not found in Rwanda."

B) U.S. Importer, Indego Africa: interview with Karen Yelick, CEO

The interview with Ms. Yelick rendered important information. Some key points are outlined below.

- As a nonprofit, the biggest issue for Indego is taxation on raw materials and trims. Indego needs to import small items like zippers but recently imported fabric from Ghana as well. The issue is that the processing for these imports moves really slowly.
- In terms of paper work, customs declaration and clearance of goods is a problem. "There is one person that does the declaration for the entire country. Someone from our staff spends 6 to 9 hours in line waiting to collect and pay for tax. It seems to be tighter than ever. Even if the value is \$100 or less we pay duty to bring it into the country. This is, of course, on products we need for export. For the home and crafts industry we cannot find raw materials in the country so why are we penalized to export this product? Of course, this all adds to cost and makes us less competitive to other markets. Recommendation: To have an online system to arrange customs clearance of goods into Rwanda. It would save time if you could do the paperwork online along with the payment and they could notify businesses when the forms can be picked up."
- More technical and vocation training as well as investments are needed to scale up the industry. Here is what Indego Africa is doing to solve their issues with training: through a grant from MasterCard, Indego is training 90 young women between 18 to 20 years in vocational training under five partnering cooperatives this year. She adds: "The first semester, 45 young girls will train with 5 co-ops. On Monday and Tuesday they receive an all-day business training then Wednesday-Friday they are at the co-op beading, basket-making; all local, being near the co-ops they are training in. This does two things: it provides an employment model for them and it also brings in younger girls to the co-op. The average age is 30 to 40 and this benefits both the girls and the women of the co-op. At the end of the training the girls will have the option to join the co-op or start their own."
- Indego finds the internet in Rwanda slow and expensive. "MTM is \$150 per month for internet. It is slow, unreliable and slows us down." Karen was sure other groups also have similar issues and said: "When you do not have reliable, affordable internet it is difficult to doing business." Indego deals with high shipping costs, but air freight is the only option. When Indego representatives attended the Artisan Alliance meeting held in September 2015, shipping zones or consolidated areas were discussed as an option for volume shipping at lower rates. Indego asked if this was an area where MINICOM could also help. They reported shipping 6 to 8 boxes every Friday via DHL. A convenient arrangement could be a negotiated, consolidated rate with DHL with a designated pick-up day so that anyone that wants to ship to the U.S. can do so with a consolidated shipment.

- Indego shared that investments are really needed to establish a dyeing center for all co-ops working with sweet grass to bulk dye their production. For Indego, this investment alone could assist 220 women in four weaving cooperatives. The advantages to modernization of vat dyeing were outlined as follows:
 1. The vat's temperature is controlled.
 2. Avoiding small-batch dyeing by hand is good because dyeing in small batches creates inconstancy in color, which is not accepted in the marketplace.
 3. Measuring dyeing strength is currently inconsistent and no one is teaching how to do it accurately. Sometimes the dyes come from Kenya, sometimes from India or Germany.
- Indego added that a physical space would be needed to teach vocational training to run machinery. In addition, Indego said: "At Indego Africa we find more openness now and flexibility, less resistance to this type of change, modernization."

C) U.S. Importer, Indego Africa: interview with Rosine Urujeni, Country Director

The following notes are selected from the interview with Ms. Urujeni:

- "As a non-profit we pay taxation on raw materials that we can't find in Rwanda. For example, when we import products like Ghanaian fabrics to make products to export. This leads, of course, to the lack of materials, machinery and qualified main d'oeuvre (workers). No chain of teaching exists from one generation to another (weaving and embroidery especially)."
- It is important to understand the reasons for taxation and how those taxes return to the industry. For instance, collected taxes should be helping to provide current companies with good working conditions and business incentives to invest here. This could be justified because Rwanda is behind other countries, especially in the region. If possible, invest in small SMEs' access to materials and infrastructure and negotiate better loan rates for this sector. Improve access to technology (machinery, infrastructure, etc.), especially for SMEs that are exporting already, so that the youth can learn from experienced artisans and have good working experience by the time they finish their vocational training (VT).
- Taxation on imported materials and high shipping costs used by SMEs do not contribute to the success of export operations. Additionally, SMEs are unable to do market research in the U.S., so MINICOM should find a way to provide this service to businesses in Rwanda.
- "Small SMEs do not have, in part, success because they do not have direct contact to brands. This is why Indego Africa succeeds—because they have relationships with the market."

D) U.S. Importer, Indego Africa: interview with Heloise Mudenge, Finance and Communications Associate

The following notes are extracted from the interview with Ms. Mudenge:

- "We need more training to know what AGOA is, how to use it and what the procedures are. For example, many smaller cooperatives we work with do not speak English although none of the documents are available in Kinyarwanda."
- She also shared that HTS codes can be very confusing and cooperatives and partners could benefit from a glossary or a manual on how to apply the most popular HTS codes. She also mentioned every company pays 3,000 RWF for each Country of Origin document. With multiple shipments each week, this is a significant expense. She asked if this cost per certificate of origin was required to ship from an AGOA country.

E) U.S. Importer, Songa Designs: interview with Sarah Sternberg, CEO

Ms. Sternberg shared the following important points:

- Training is required and needs to be constant to keep up with market demands. The companies also need assistance with developing business partnerships. Marketing creative industries would help the existing industrial groups in Rwanda in this sector.

- A more collaborative environment between organizations is needed for business and partnerships to be established to help companies to grow. For example, coffee producers need bags for coffee and could work with cooperatives to make these items.
- There are barriers to the whole concept of competition. Solutions could be provided by training on business transparency, wage and wage guidelines.

F) U.S. Importer, Songa Design: interview with Gilbert Kubwimana, Country Director

Gilbert discussed the need for more business development to western markets. Below are some of the most salient points in this interview:

- Training is important but the producers also need direct contact with buyers.
- There are inefficiencies in customs clearance declaration and shipping, which is costly and time consuming.
- There are few workers who are highly skilled in jewelry work so completing their final items takes longer. Training is missing for the women these companies employ.
- Education on pricing and wages for the work done is important so the women understand labor competitiveness concepts of the marketplace.

APPENDIX II: HS CODE AT FOUR-DIGIT LEVEL FOR PRODUCT RECOMMENDATION

42 Articles of leather, animal gut, harness, travel goods	46 Manufactures of plaiting material, basketwork, etc.	63 Other made textile articles, sets, worn clothing, etc.	71 Pearls, precious stones, metals, coins, etc.	97 Works of art, collectors' pieces and antiques
'4203 Articles of apparel & clothing access., of leather or composition leather '4201 Saddlery and harness for any animal, of any material '4205 Articles of leather or composition leather,	'4602 Basketwork, wickerwork & other articles made from plaiting materials '4601 Plaits & similar products of plaiting material mats, matting, screens	'6302 Bed, table, toilet and kitchen linens '6307 Made up articles, including dress patterns '6303 Curtains, drapes & interior blinds '6301 Blankets and travelling rugs '6304 Furnishing articles, excluding 94.04 '6305 Sacks and bags of a kind used for the packing of goods '6308 Set consisting of woven fab & yarn for making up into rugs, tapestries etc.	'7108 Gold unwrought or in semi-manuf. forms '7113 Articles of jewelry & parts thereof '7106 Silver, unwrought or in semi-manuf. forms '7112 Waste & scrap of precious metal '7117 Imitation jewelry '7103 Precious & semi-precious stone, not strug, '7115 Articles of precious metal or metal clad with precious metal '7114 Articles of goldsmith's/silversmith's wares & pts '7104 Syn/reconstprec/semi-prec stones, not strg/mounted/set '7118 Coin '7109 Base metals or silver, clad with gold, nfw than semi-manufactured '7111 Base metals, silver or gold, clad w plat, nfw than semi-manufactured '7107 Base metals clad with silver, other than semi-manufactured	'9701 Paintings, drawings, pastel, collages & sim art executed by hand '9706 Antiques of an age exceeding one hundred year '9703 Original sculptures and statuary, in any material '9705 Collection piece of zoo, botanic, history, etc. '9702 Original engravings, prints and lithographs '9704 Used postage/revenue stamps

APPENDIX III: REFERENCES

U.S. Customs and Border Protection <http://www.cbp.gov/>
Office of the United States Trade Representative <http://ustr.gov/issue-areas/trade-development/preference-programs/generalized-system-preferences-gsp/gsp-program-i-0->
International Trade Administration <http://trade.gov/agoa/> and <http://otexa.trade.gov/>
AGOA.info <http://agoa.info/about-agoa/products.html>
USAID East Africa Trade Hub http://www.eatradehub.org/agoa_faq#faq_68
United States Consumer Product Safety Commission <http://www.cpsc.gov/en/Business--Manufacturing/Testing-Certification/>
Export.gov http://www.export.gov/logistics/eg_main_018121.asp
McKinsey, 2014 Perspectives on retail and consumer goods
U.S. Census <http://www.census.gov/foreign-trade/statistics/highlights/congressional.html>

ANNEX 3: SPECIALTY FOODS SECTOR U.S. MARKET ANALYSIS FOR SELECTED PRODUCTS FROM RWANDA

I. Executive Summary

This report looks at the specialty foods sector in relation to how Rwanda could benefit from AGOA. For this purpose, specialty foods are defined as foods and beverages that incorporate a unique element, which, combined with their quality, availability and convenience, commands premium prices. The appetite of U.S. consumers for specialty products is constantly evolving. Among the drivers of this increased consumption are changes in demographics and ethnic diversity, the globalization of the agri-food industry, and the increased concern about healthy eating. Another factor is the increasing proportion of U.S. consumers willing to try foods from countries unknown to them. Specifically, consumption of coffee and of spicy foods has increased in recent years.

This report focuses on the following ten specialty foods available from Rwanda:

- Banana chips.
- Bottled honey.
- Coffee, packaged and roasted.
- Dried tropical fruit snacks (pineapple, banana, mango).
- Fruit juice concentrates.
- Hot sauces.
- Marmalade/jams/jellies of tropical fruits (pineapple, banana, mango, orange).
- Tea, processed and packaged.
- Spices (saffron, ginger, pepper [genus Piper], anise or badian seeds, cinnamon).
- Macadamia nuts.

There is a significant U.S. market potential for each of these products, which are being or can be produced in Rwanda. Despite U.S. domestic production of most of these products and significant imports from other countries, Rwanda's zero import duty under the terms of AGOA can become a strong competitiveness factor. Nevertheless, considerations of high shipping costs and price-to-weight ratio need to be taken into account to determine the convenience of profit thresholds.

There are several types of companies that import these products into the U.S. They typically select suppliers who can consistently deliver products with the quality attributes required by the buyer, in a timely fashion and with competitive pricing. Concerning the supply chain, the U.S. specialty food distribution system operates in a simple fashion with exporters shipping retail-ready units that go to importers who resell to distributors, wholesalers, store chains, foodservice suppliers and others.

There is considerable sales promotion of specialty foods at trade shows, in stores, on the Internet and by other means. Exporters are usually asked to pay part of the cost of this promotion. The most important trade show for these products is the Fancy Food Show. Participation in this trade show would be a considerable advantage for future exporters to the U.S. as it would enable them to compare Rwandan product attributes with those of potential competitors in order to learn and improve their business propositions.



Based on their market potential and interviews with buyers, of the ten products listed above, the most promising may be banana chips, dried tropical fruit snacks, macadamia nuts, hot sauces and some spices. Following the data provided in this report for these products, the next steps at the individual exporter level should include developing company-specific market entry plans. These should include product specifications, ways to ensure compliance with quality and food safety requirements, distribution channels and logistical steps to reach those markets, promotion, pricing and payment terms. At the sector level in Rwanda, suggested interventions include dissemination of information on the U.S. market and import requirements, assistance in quality and export promotion activities, and attraction of new investors for export supply expansion. More information on these actions is provided in this report.

This report is organized into sections that move from the general to the specific in discussing how Rwanda can tap into trade opportunities in the specialty foods market. The reader will understand the U.S. market structure and characteristics as well as the tariff system and its non-tariff restrictions applied to Rwanda and AGOA countries. Key information on the consumer discusses important trends, today and in the near future, that should help Rwandan food exporters think strategically about their market penetration strategies. This report also warns novice exporters about the threats to a sustainable market entrance approach, from the rising nature of food standards to pervasive payment cultures among different food importers. What all this information means to Rwandan exporters and export promotion stakeholders is summarized in key recommendations for immediate action. An annex with important contact information on specialty food importers is found in the last pages of this document.

2. Generalities of the U.S. Sector Market

The U.S. market for pre-selected products is considerably large, but its characteristics vary from product to product. Here are some generalities about the pre-selected products and why they mean opportunities to Rwanda.

Banana chips

Banana chips are imported from several countries and are considered a regular snack item for a number of ethnic groups and nationalities in the U.S. Much of the value of sales is to African, Asian, Caribbean and Hispanic consumers. Banana chips compete with other specialty chips made from plantains and root and tuber crops such as cassava and sweet potato. Rwanda's banana chips are very sweet when manufactured with apple banana, a scented small banana with a pleasant honey-like flavor grown in Rwanda, Burundi and Uganda.

Honey

African honey exports to the U.S. are small, the largest participant being the Ivory Coast which, in 2014, shipped \$106,000 worth of this natural sweetener. Other African players in the vast honey market were Cameroon, Egypt, Ghana and Ethiopia. Bottled honey is a mainstream product and faces strong competition from domestic U.S. production, Mexico and Canada. Other competitors include countries in Latin America, the Caribbean, and Asia (China and Vietnam).

Specialty coffee

The market for high-quality coffee worldwide grew rapidly from about 1993 to 2008, but the growth since then has been much slower. In the case of coffee, exporters can attract price premiums by adding credence attributes such as organic, fair trade, bird-friendly or shade-grown certifications.

Dried tropical fruit snacks

Dried tropical fruit snacks have increased in popularity because they are palatable, nutritious, reasonably priced and in tune with the trend toward healthy eating. The market is receptive to packages of a single kind of fruit, two or more fruits, and fruits with nuts and sometimes chocolate chips. Prices are higher for products that are organic and/or sun dried.

Fruit concentrates

Fruit juice concentrates are mainly an industrial product, sold to firms that produce bottled juices, ice cream and numerous other products, but they can also be marketed as specialty food. Juice concentrates are sold in some supermarkets, frozen and bottled.

Hot sauces

Sales in the U.S. grew about 150% from 2000 to 2013. Tabasco, made in the U.S., is a top seller, as is Cholula from Mexico. There is also rapid growth in sales of Asian sauces including Sriracha sauce and Gochujang sauce. Sriracha sauce originated in Thailand but the name is generic and most of the sauce in the U.S. market is made by the Eastland Corporation in California. Gochujang sauce is imported from Korea. The products in this category should either offer uniqueness or target the Rwandan diaspora.

Tropical fruit marmalade

Despite their seemingly tough market conditions, there are several ways to differentiate tropical fruit marmalade and capture a share of the market. Many packaging options and recipes of gourmet marmalades are available that can support high shipping costs. With this product, the appearance is probably more important than the quality, consistency or flavor.

Processed and packaged tea

Selling packaged tea can be challenging because of the high market concentration. Lipton, Tetley, Twining, Red Rose and a few other brands dominate with traditional types of tea. Rwanda has excellent black tea but, to make it a true specialty product, exporters will have to invest in packaging, branding and promotion. South Africa has done well with rooibos herbal tea, much of which is sold in the natural food trade.

Spices

There is a steady demand for spices but it is hard to break into the market with a new branded product. This is because the big players like Schilling and McCormick have a large market share and smaller brands like David and Badia have much of the ethnic market. The most likely distribution channels may be through African stores or through online merchants such as MyBrands.com.

Macadamia nuts

Macadamia nuts are produced in the U.S., mainly in Hawaii, but domestic production is insufficient for the country's demand. For macadamia nuts, like other nut products, demand is increasing gradually because of publicity about their benefits to health. The bulk of sales is to industrial buyers who package for sale to consumers under a variety of brand names.

3. U.S. Market Structures and Characteristics

While the U.S. market is very large for almost every product, data on market size for specialty products can be hard to obtain. It is therefore relevant to point out that some of the analysis presented in this report was conducted with incomplete data, supplemented by expert knowledge.

3.1 Banana Chips

Table 1 provides data for U.S. imports from 2010 through 2014 of dried bananas (HS number 0803900045) in thousands of dollars and thousands of kilograms.

Table 1. U.S. Imports of plantain and banana chips 2010–2014 (n thousands of kilograms and thousands of dollars)

Year	2010	2011	2012	2013	2014
Quantity	0	0	0	3,339	3,631
Value	0	0	0	12,667	12,261
Avg. customs value per kg	Not recorded	Not recorded	Not recorded	\$3.79	\$3.38

The main supplier countries are the Philippines, Ecuador, Thailand, China and Mexico.

Market size and trend. From 2013 to 2014, U.S. imports of plantain and banana chips increased slightly in quantity but decreased slightly in value. This is because of a decrease in the average price, at customs value, from \$3.79 to \$3.38/kg. Since the markup on products such as chips is high, it is likely that the value at retail is above \$50 million.

Market segments and what motivates them to buy. By far the largest market segment for banana chips is consumers of Latin American and Caribbean background. These consumers can be segmented by where they live, their levels of income and education, or how long they have been in the United States. These consumers are also motivated to purchase banana chips by the sweet taste and by the crunchy sound and feel in the mouth, but most importantly because of nostalgia, which is a relevant driver of demand.

Pricing and origin. Prices for these products vary considerably. The average customs value for plantain and banana chips is about \$1.53/lb. In November 2015, a 5.5-ounce bag of banana chips was \$4.30 from www.jet.com, while a 12-ounce bag was just \$2.44 from Walmart. This comes to \$12.51/lb. from Jet.com and to \$3.25/lb. from Walmart. Table 2 offers other price comparisons among high-end organic stores such as Wholefoods.

The main suppliers of banana chips are the Philippines, Ecuador, Thailand, China and Mexico. The Philippines is the world's main supplier and sells them to about 30 countries, especially the USA and the European Union.

U.S. domestic production. There is little or no production of banana chips in the U.S.

Import evolution by top countries. Statistics were found for the past two years only, so trends cannot be calculated.

Rwandan exports and similar products from East Africa. Rwanda is not yet exporting banana chips to the USA and U.S. import statistics do not show any other East African country that is exporting them to the USA.

Table 2. Comparing dried bananas: Bare and Mavuno Harvest at Whole Foods in Gaithersburg, Maryland; and Nutty Fruit House on Amazon.com

Brand	Size	Packaging	Price	Origin
Bare banana chips	2.7 ounce	Poly bag	\$3.99	Thailand
Mavuno Harvest organic dried banana slices	2 ounce	Poly bag	\$4.99	Uganda or Burkina Faso, imported by Mavuno Harvest
Nutty Fruit House banana chips	1 pound	Poly bag	\$3.99	Probably packed in California



Photo 1. Display of banana chips in a Whole Foods supermarket

3.2 Bottled Honey

Table 3 provides data on U.S. imports from 2010 through 2014 of comb honey and honey packaged for retail sale (HS number 0409000010) in thousands of dollars and thousands of kilograms.

Table 3. U.S. imports of comb honey and honey packaged for retail sale 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	0	0	1,978	2,441	2,162
Value	0	0	13,045	15,147	14,484
Ave. customs value per kg	Imports not recorded	Imports not recorded	\$6.60	\$6.21	\$6.70

Top supplying countries during the period include New Zealand, Germany, India, France and Greece.

Market size and trend. From January through August, more than 125 million kilograms of bulk honey were imported to the U.S. The average CIF value was \$3.56/kg. Imported honey in the comb and packaged for retail sales had a value of \$14.5 million. The trend from 2010 to 2014 was irregular and largely flat.

Market segments and what motivates them to buy. Virtually all segments of the U.S. market consume honey. Segmentation is done by price, with low-value honey sold in discount supermarkets and high-value products in gourmet stores. Often the difference is in the packaging and labeling and not so much in the quality itself. Some segments consume natural or organic honey and flavored honey.

Pricing and origin. According to the National Honey Report, in September, 2015 prices paid for imported honey, on the dock in the port of entry, ranged from \$1.35 to \$1.97/lb. This report gives the quantities and values of several kinds of honey, by country of origin. According to a report from Honey.com, the average wholesale case price per pound of packaged honey was \$5.13 in November 2015, and the average retail price was \$6.92/lb.

U.S. domestic production. According to a report from the National Agricultural Statistics Service of USDA, in 2014 U.S. honey producers with five or more colonies harvested 178 million pounds of honey. This was a 19% increase from the previous year. Most of this is packaged for sale in the U.S.

Import evolution by top countries. From 2010 to 2014, total U.S. imports of honey increased by more than 16% per year, and the major supplying countries in 2014 were Argentina, Vietnam, Brazil, India and Mexico. Imports of honey packaged for retail sale increased very little.

Table 4. Comparing honey at Trader Joe's in Gaithersburg, Maryland

Brand	Size	Packaging	Price	Origin
Trader Joe's	12 ounce	Plastic bottle	\$3.49	USA
Trader Joe's	24 ounce	Plastic bottle	\$5.99	Turkey
Trader Joe's	8 ounce	Glass bottle	\$6.99	Italy

Also, we found honey from Cameroon and imported by a firm called JKUB, in Washington D.C. A 16 ounce bottle was selling for \$5.39 in an African foods store. Table 4 also illustrates the price advantage for Italian honey, which is three times more expensive than U.S. honey on an ounce per ounce basis.



Photo 2. Display of honey products at Trader Joe's

3.3 Coffee – Packaged and Roasted

Table 5 provides data on U.S. coffee imports from 2010 through 2014, roasted and not decaffeinated, in containers of 2 kg or less (HS number 0901210045) in thousands of dollars and thousands of kilograms.

Table 5. U.S. imports of roasted coffee, not decaffeinated, in packages under 2 kg, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	0	38,769	40,256	43,062	45,196
Value	0	284,686	285,162	284,951	487,594
Ave. customs value per kg	Not recorded	\$7.07	\$6.41	\$6.62	\$10.79

Top supplying countries include Canada, Italy, Switzerland, Colombia and the Netherlands. In this category, about 77% by value is certified organic.

Market size and trend. The U.S. is a huge coffee drinking nation. According to Coffee Statistics from E-Imports, average consumption is 3.1 cups per person per day. Multiplying that by 319 million people gives a huge amount that is consumed on a daily basis, and consumption continues to grow.

Market segments and what motivates them to buy. There is some segmentation for coffee with different characteristics such as organic, flavored, espresso grind and others. These distinctions are communicated mainly by the package and label.

Pricing and origin. In 2014, the U.S. imported a total of 45.2 million kilograms of coffee, roasted and not decaffeinated and in small packages, for a value of \$488 million. This gives an average customs value of about \$10.79/kg or \$4.90/lb. This is for the HS number 0901210045. There were imports of coffee in several other HS categories. Table 6 outlines some differences in pricing across coffee origins and brands consulted at a Whole Foods store in 2015.

U.S. domestic production. Coffee is not grown in the USA, except for a small amount in Hawaii. There is, however, a very large business importing green coffee beans to be roasted and packaged in the United States.

Import evolution by top countries. Imports of roasted coffee, not decaffeinated, have been growing steadily and were 17% higher, by quantity, in 2014 than in 2011.

Rwandan exports and similar products from East Africa. In 2014, Rwanda's exports of coffee to the U.S. had a value of \$23.5 million, of which decaffeinated coffee accounted for just \$153 thousand. There were no recorded exports from Rwanda of roasted coffee.

Table 6. Competing roasted coffee in small packages at Whole Foods in Gaithersburg, Maryland

Brand	Size	Packaging	Price	Origin
Quatermaine	12 ounce	Bag – whole bean	\$11.99	Packed in U.S.
Lavazza	8.8 ounce	Can – ground	\$11.99	Italy
Brazil	16 ounce	Bag – whole bean	\$10.99	From Brazil but packed in U.S.

Photo 3. Coffee display at Whole Foods



3.4 Dried Tropical Fruit Snacks

Tables 7, 8 and 9 give U.S. imports from 2010 through 2014 of dried banana (HS number 0803900045) and of dried mango (HS number 0804508010) in thousands of dollars and thousands of kilograms. There is no HS number for dried pineapple. It is combined with fresh pineapple.

Table 7. U.S. imports of dried banana, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	0	0	0	3,339	3,631
Value	0	0	0	12,667	12,261
Ave. customs value per kg	Not recorded	Not recorded	Not recorded	\$3.79	\$3.38

Top supplying countries include Philippines, Ecuador, Thailand, China and Mexico.

Table 8. U.S. imports of dried mango, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	5,824	6,833	6,504	6,422	6,413
Value	43,250	58,232	56,558	57,188	59,214
Ave. customs value per kg	\$7.43	\$8.52	\$8.70	\$8.91	\$9.23

Top supplying countries include the Philippines, Mexico, Thailand, India and Ecuador.

Market size and trend. In 2014, the U.S. population was about 319 million and consumption of dried fruit was about 10 pounds (about 4.5 kg) per person per year. That gives an estimated consumption of about 3.2 billion pounds or about 1.5 billion metric tons (MT). In 2014, the U.S. imported 3.6 million kilograms of dried bananas and 6.4 million of dried mangos. Therefore, these two fruits accounted for less than one percent of the total consumed.

Market segments and what motivates them to buy. Children are a large market segment for dried fruit snacks, usually in small cellophane packages. Adults are a market for fruit in larger packages of either a single fruit or mixed fruit. In many supermarkets, this product is sold also in bulk bins.

Pricing and origin. The price of dried fruit varies greatly. Note, in the tables above, that the average price of dried mangos, in 2014 at customs value, was almost three times that of dried bananas.

U.S. domestic production. The U.S. produces very little tropical fruit, with some exceptions such as papayas in Florida and pineapple in Hawaii, and little of any from those harvests is dried. The U.S. is a large producer and dryer of temperate fruit, especially prunes and raisins.

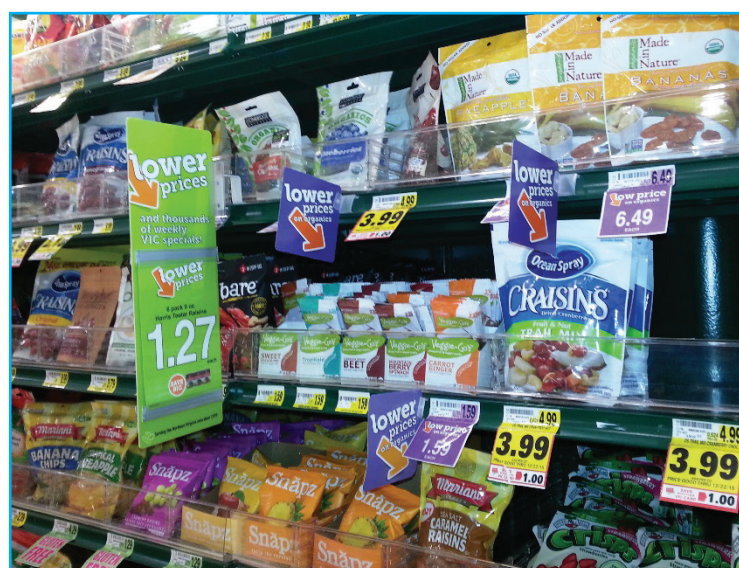
Import evolution by top countries. In the past few years the order of the main supplying countries has changed little, if at all. It is noteworthy that Mexico is increasing its exports of dried mangos very quickly, going from 11 million kg in 2010 to 24 million kg in 2014.

Table 9. competing dried fruit products at a Harris Teeter Supermarket in Gaithersburg, Maryland

Brand	Size	Packaging	Price	Origin
Made in Nature dried pineapple	3 ounce	Plastic bag	\$6.29	Imported and packed in the U.S.
Made in Nature dried banana	4 ounce	Plastic bag	\$6.49	Imported and packed in the U.S.
Made in Nature dried mango	3 ounce	Plastic bag	\$5.99	From Peru or Mexico, packed in the U.S.
Mariana mango	4 ounce	Plastic bag	5.39	From Philippines, packed in the U.S.
Mariana pineapple	6 ounce	Plastic bag	\$4.29	From Thailand, packed in the U.S.

¹⁰ Brix is a measure of sugar in an aqueous solution. The measurement is complicated but, in general, is simply a percentage. For example, 2 degrees brix means there are 2 grams of sucrose in 100 grams of a solution.

Photo 4. Dried fruit display at Harris Teeter



3.5 Fruit Juice Concentrates

Tables 10, 11, 12 and 13 illustrate the size of U.S. imports from 2010 through 2014 for orange juice, not frozen, not fortified with brix over 20 (HS number 200919), of pineapple juice, brix over 20 and concentration over 3.5l (HS number 20094940), and mango juice in any form (HS number 200986067), all in thousands of dollars and thousands of liters.

Table 10. U.S. imports of orange juice concentrate, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	35,582	35,621	41,882	114,860	173,066
Value	11,576	13,116	16,604	37,250	44,641
Ave. customs value per L	\$0.33	\$0.37	\$0.40	\$0.32	\$0.26

Top supplying countries include Mexico, Costa Rica, Belize, the Dominican Republic and Canada.

Table 11. U.S. imports of pineapple juice concentrate, 2010–2014 (in thousands of liters and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	155,991	156,340	136,382	138,590	130,703
Value	55,153	60,500	49,296	45,396	43,405
Ave. customs value per L	\$0.35	\$0.39	\$0.36	\$0.33	\$0.33

Top supplying countries include Thailand, the Philippines, Indonesia, Costa Rica and Kenya.

¹¹ Free carrier is one of the standard International Commercial Terms, or Incoterms. It means a supplier loads the goods on a conveyance and pays all the costs up to and including any loading charges.

Table 12. U.S. imports of mango juice, 2010–2014 (in thousands of liters and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	0	0	5,442	7,065	6,308
Value	0	0	6,229	5,385	6,683
Ave. customs value per L	Not recorded	Not recorded	\$1.14	\$0.76	\$1.06

Top supplying countries include Egypt, the Philippines, Taiwan, India and Mexico.

Market size and trend. The total U.S. market for tropical juice concentrates is worth approximately \$100 million at customs value. Much of this is diluted with water or inexpensive juices, such as apple and pear, and the rest is packaged to sell as frozen or shelf-stable products. The trend for orange juice concentrate is sharply upward. According to MarketsandMarkets.com, the retail value is estimated to be about \$5 million and to be increasing steadily.

Market segments and what motivates them to buy. Juice concentrates are largely a bulk business, of which the largest segment is companies that produce and market juice products. Other segments are firms that make ice cream, yogurt and other grocery items. Still, there are sales direct to the consumer of juice concentrates, both frozen and shelf-stable.

Pricing and origin. The price of orange juice concentrate has varied greatly and appears to have been about \$0.26/L in 2014, at customs value. Comparable prices were \$0.33/L of pineapple juice concentrate and \$1.06/L for mango juice in all forms.

In October 2015, pineapple juice concentrate, 60 brix, from Thailand was \$3,800/MT. CIF USA prices in 2014 for less than 20 brix pineapple juice were \$0.49/L (Indonesia) to \$0.71/L (Costa Rica).

According to a report from the UN International Trade Center, in 2014 in Holland, banana juice concentrate from Ecuador, aseptic and 22 brix, was about \$700/MT. Mango juice concentrate from India, aseptic and 28 brix, was about \$1300/MT. Fresh concentrated orange juice (FCOJ) from Brazil, 65 brix was about \$2,000. Pineapple juice concentrate from Thailand, Smooth Cayenne and 60 brix, was also about \$2,000. All prices are FCA (free carrier).

Passion fruit juice concentrate prices have been around \$2,000/MT to \$3,400/MT in 2015. There is a great variation in prices depending on the origin, brix and other characteristics. Generally, demand for (and price of) passion fruit juice concentrate goes in parallel to the orange juice concentrate. To optimize profits, many industrial processors generally blend orange juice with passion fruit in different proportions, depending which one has the lower price.

Producing an aseptic product means putting a sterile product in a sterile container in such a way that sterility is maintained. The process usually involves quick heating to between 195 and 295 degrees Fahrenheit (91–146 degrees Celsius), and the packaging is usually a combination of paper, polyethylene and aluminum. The technique has been used in African countries for many years to package milk so it does not have to be refrigerated.

U.S. domestic production. The U.S. produces concentrates of temperate fruit but little or none of tropical fruit. A large part of the juice the U.S. imports is in the form of concentrate because of the large saving in shipping costs.

Import evolution by top countries. The supplying countries are fairly stable, with only one strong trend, and it is very strong. U.S. imports of orange juice concentrate from Mexico underwent a tenfold increase from \$4.3 million in 2010 to \$45 million in 2014.

In two supermarkets we found only one brand of fruit juice concentrate that was not frozen, and that was apple concentrate. See the photo below. The items in the table below are sold on Amazon.com. Also, we found two brands of an instant beverage consisting of fruit juice powder with sugar. One was Yus, from Guatemala and imported by Malher Inc. in Stafford, Texas. A 300 g plastic bag sold for \$1.98. A competing brand is Klass, imported from Mexico.

Table 13. Comparing juice concentrates as sold on Amazon.com and at a Giant supermarket

Brand	Size	Packaging	Price	Origin
Maguary passion fruit concentrate (Amazon)	16.9 ounce	Plastic bottle	\$14.26	Brazil
DaFruta mango juice concentrate (Amazon)	16.9 ounce	Plastic bottle	\$33.90	Brazil
Welch's apple juice concentrate (Giant)	11.5 ounce	Can	\$1.99	U.S.



Photo 5. Picture of tropical juice and juice concentrate

Tropical fruit juices are not a subject of this study; however, they are products that could be exported from Rwanda to the U.S. They are exported from several countries, mostly in bulk but some in consumer packaging. Bulk juice is usually packed in aseptic drums. In the U.S. it is blended with other juices and is normally put into plastic bottles of various sizes, from single-serve to one gallon. These are sold everywhere, from the smallest convenience stores to the largest supermarkets. Some require refrigeration and some do not. Juice ready for the store shelves, without need for refrigeration, is normally packaged in rectangular, one-liter paper cartons filled by the company Tetra Pak, using ultra-high-temperature (UHT) processing technology. Tetra Pak juice is shelf-stable and is now sold basically everywhere in 1 L and smaller packages for kids.



Photo 6. Bottled juices in a supermarket

3.6 Hot Sauces

Tables 14 and 15 show U.S. imports from 2010 through 2014 of mixtures of macerated hot red peppers and salt (HS number 09042273), in thousands of dollars and thousands of kilograms.

Table 14. U.S. imports of macerated hot red peppers and salt 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	0	0	33,589	37,258	34,964
Value	0	0	28,928	33,254	30,606
Ave. customs value per kg	Not recorded	Not recorded	\$0.86	\$0.89	\$0.88

Top supplying countries include Mexico, Colombia, China, Peru and Korea.

Market size and trend. The market for hot sauces has grown 150% from the year 2000 and is still growing, thanks in part to the continuing arrival of immigrants. This is now about a \$1 billion/year business for U.S. producers. There are many kinds of hot sauce and the kinds for which statistics are provided above are worth about \$30 million per year, at customs value.

Market segments and what motivates them to buy. The main market segment is consumers who have come from countries in which hot (spicy) foods are consumed such as Jamaica, South Korea and Mexico. Many mainstream consumers have also adapted to eating spicy foods and sometimes buy hot sauce, and numerous restaurants have sauces available for their customers. In general, people buy sauces made from peppers that grow in their home countries. According to an online article in The Huffington Post, the best-selling sauce in the U.S. is Sriracha (some brands from Asia and at least one made in the U.S.), numbers two and three are Cholula, from Mexico, and Tapatio, made in the U.S.; numbers four and five are Frank's RedHot and Tabasco, both made in the U.S.

Pricing and origin. In 2014, U.S. imports of pepper sauce totaled 35 million kilograms and had a value of \$30.6 million. This gives an average of \$0.88/kg. At retail, the range is very wide, but many sauces sell for about \$1.00 per every 5 ounces. This translates to approximately \$7.00/kg.

U.S. domestic production. According to a report from IBIS World, production of hot sauce in the USA has grown steadily for the past several years and reached a total value of \$1.1 billion in 2014.

Import evolution by top countries. U.S. imports of pepper sauce are fluctuating and totaled about \$30 million in 2014.

Table 15. Comparing hot sauces at Global Food in Montgomery Village, Maryland

Brand	Size	Packaging	Price	Origin
McCormick Jalisco	5 ounces	Glass bottle	\$1.09	U.S.
Tapatio	5 ounce	Glass bottle	\$0.99	U.S.
Caribbean	4 ounce	Glass bottle	\$1.99	Mexico, imported by Padilla Imports, Eagle Pass, Texas



Photo 7. Hot Sauce Display at a High-End Supermarket

3.7 Marmalade of Tropical Fruits

Tables 16, 17, 18 and 19 show imports of orange marmalade (HS number 2007914000), pineapple jam and related products (HS number 2007994000) and mango pastes & puree (HS number 2207995020), in thousands of dollars and thousands of kilograms.

Table 16. U.S. imports of orange marmalade, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	1,249	1,195	1,095	1,062	1,221
Value	3,740	3,229	3,336	3,460	3,755
Ave. customs value per kg	\$2.99	\$2.70	\$3.05	\$3.26	\$3.08

Top supplying countries include France, United Kingdom, Canada, Italy and Austria.

Table 17. U.S. imports of pineapple jam and related products, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	128	175	62	144	228
Value	520	1,460	131	281	324
Ave. customs value per kg	\$4.06	\$8.34	\$2.11	\$2.46	\$1.42

Top supplying countries include Mexico, Costa Rica, India, Taiwan and El Salvador.

Table 18. U.S. imports of mango pastes and puree, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	17,659	23,824	24,675	28,533	35,711
Value	20,448	28,606	29,336	33,900	41,381
Ave. customs value per kg	\$1.16	\$1.20	\$1.19	\$1.19	\$1.16

Market size and trend. According to a report by Agriculture and Agri-food Canada, the U.S. market size for “sweet spreads” in 2015 was \$3.3 billion dollars. We cannot tell from the tables above how much of that was imported because they cover only three of numerous products.

Market segments and what motivates them to buy. This product is similar to honey in that nearly everyone uses it and the market is segmented mainly by price and quality. One can buy marmalade in stores from about \$2.00 to about \$10.00 for the same size jar. Tropical flavors sell better to people who have come from countries where those fruits are known.

Pricing and origin. In 2014, U.S. imports came to 129 million kilograms of jam, jelly and marmalade, for a value of \$235 million. This works out to an average price at customs value of \$1.82/kg. The average customs value of the products above was about \$3.00/kg for orange marmalade, perhaps \$2.00 for pineapple jam, and about \$1.16 for mango pastes and puree.

U.S. domestic production. Definitions complicate the statistics for this kind of product. According to a report by Eat It Up Organic Foods, about one billion pounds of “fruit spreads” are made in the U.S. each year. “Preserves” represent some 34% of the total. Most of this is from temperate fruit, but some manufacturers include tropical fruit products in their merchandise assortments.

Import evolution by top countries. The U.S. imports marmalade from a large number of countries, of which the most important are Canada, France, Mexico and Chile. The value of imports has been climbing steadily to \$235 million in 2014. For the products mentioned above, the quantities of orange marmalade imported are largely stable. The quantities of pineapple jam are too small to permit discerning a trend. The quantities of mango pulp have been increasing rapidly from the top suppliers—32% annually for Mexico, 22% for India and 20% for Colombia.

Table 19. Comparing tropical marmalade products at Global Food in Montgomery Village, Maryland

Brand	Size	Packaging	Price	Origin
Smucker's pineapple preserves	12 ounce	Glass bottle	\$2.65	U.S.
Essential Everyday orange marmalade	18 ounce	Glass bottle	\$2.49	U.S.
Welch's grape jam (non-tropical, for comparison)	30 ounce	Glass bottle	\$2.99	U.S.



Photo 8. Display of the items in a multi-ethnic food store

3.8 Tea – Processed and Packaged

Table 20 presents U.S. imports from 2010 through 2014 of black tea, fermented, whether or not in tea bags and whether or not organic, HS number 09023000, in thousands of dollars and thousands of kilograms.

Table 20. U.S. imports of packaged tea for retail sale, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	11,336	11,888	10,617	13,106	12,849
Value	101,665	109,897	101,187	118,713	117,554
Ave. customs value per kg	\$8.97	\$9.24	\$9.60	\$9.06	\$9.15

The most important supplying countries were China, Sri Lanka, India, Canada and the United Kingdom. Note that three of these countries produce tea and the other two do not.

Market size and trend. According to a report from Statista, the U.S. market for tea of all kinds was nearly \$11 billion in 2014.

Market segments and what motivates them to buy. Sales of loose tea have declined considerably. Most of the market for black, green, white, and herbal tea is in cup-size bags. Segmentation is relatively

unimportant because the same packages are sold to all economic classes in all parts of the country.

Pricing and origin. For pricing data some information was found on tariff number 0902300050, black tea in tea bags, not organic. U.S. imports of this product in 2014 came to about five million kilograms and had a customs value of \$57 million. This comes to just over \$10/kg. The main supplying countries were Canada, China, Sri Lanka and India. A quick price comparison of tea from different brands is presented in Table 21.

U.S. domestic production. Some tea is grown in warmer parts of the U.S., but almost all is imported. According to a report from Packaged Facts, sales of tea in the USA came to \$25 billion in 2014. Most of that was presumably packaged in the United States.

Import evolution by top countries. In the tariff category that includes all tea, U.S. imports in 2014 were \$444 million. That was up from \$379 million in 2010.

Table 21. Comparing packaged tea products at Whole Foods in Gaithersburg, Maryland

Brand	Size	Packaging	Price	Origin
Twinings Earl Grey	1.27 ounces	12 K-cups ⁱ in a paper carton	\$9.99	United Kingdom
365 ⁱⁱ Rooibos with flavoring	2.8 ounces	40 bags in a paper carton	\$3.99	Packed in the U.S.
Tertulia organic green tea	1.1 ounces	16 pyramid-shaped bags in a pasteboard box	\$8.49	Packed in the U.S.



Photo 9. Tea display at Whole Foods

3.9 Spices

Tables 22, 23, 24 and 25 present U.S. imports from 2010 through 2014 of crushed or ground cinnamon (HS number 090620), crushed or ground seeds of anise and similar spices (HS number 090962), crushed or ground ginger and similar spices (HS number 091012), saffron (HS number 091020) and crushed or ground pepper of the genus Piper (HS number 090412), in thousands of dollars and thousands of kilograms.

Table 22. U.S. imports of crushed or ground cinnamon, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	4,766	7,948	9,147	8,744	7,096
Value	6,616	12,811	14,675	14,857	15,801
Ave. customs value per kg	\$1.39	\$1.61	\$1.60	\$1.70	\$2.23

Top supplying countries include Indonesia, Vietnam, Sri Lanka, Germany and India. Germany, Vietnam and Sri Lanka are increasing their exports to the U.S. while exports from India are going down.

Table 23. U.S. imports of seeds of crushed or ground anise seed and related spices, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	0	0	2,595	2,834	1,864
Value	0	0	6,072	5,599	3,857
Ave. customs value per kg	Not recorded	Not recorded	\$2.34	\$1.98	\$2.07

Top supplying countries include Egypt, India, Finland, Germany and the Netherlands. Imports from nearly all supplying countries are decreasing.

Table 24. U.S. imports of crushed or ground ginger and related spices, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	0	0	2,307	1,765	1,610
Value	0	0	4,727	5,069	5,635
Ave. customs value per kg	Not recorded	Not recorded	\$2.05	\$2.87	\$3.50

Top supplying countries include China, India, Nigeria, Peru and Fiji. Imports from Nigeria and Peru are increasing rapidly and Chinese imports are increasing steadily. Imports from Fiji are decreasing.

Table 25. U.S. imports of saffron, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	16	19	26	28	35
Value	14,363	13,643	14,347	12,213	13,335
Ave. customs value per kg	\$897.69	\$718.05	\$551.81	\$436.18	\$381.00

Top supplying countries include Spain, Portugal, Italy, Turkey and India. Imports from Portugal and India have been increasing but from very small bases (volumes).

Table 26. U.S. imports of crushed or ground pepper of the genus Piper, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	12,450	12,141	12,777	13,816	14,899
Value	44,733	66,765	82,351	88,176	102,443
Ave. customs value per kg	\$3.59	\$5.50	\$6.45	\$6.38	\$6.88

Top supplying countries include India, Vietnam, Germany China and Brazil. Imports from Brazil are increasing rapidly but from a very low base.

Market size and trend. There is a report by Food Product Design that says the U.S. spice market will reach \$16 billion by the year 2019. This is roughly 40% of the spices sold in the world in 2014. Nearly all is imported, mostly in bulk.

Market segments and what motivates them to buy. Of the spices of interest to Rwanda, saffron is bought mainly by persons of Spanish ancestry. Anise or badian seeds are popular with people from the Middle East and from India. The others, ginger, pepper, and cinnamon, appeal to people of all origins.

Pricing and origin. Each kind of spice should be considered separately. Note the average customs values in the tables above. Cinnamon was up to \$2.23/kg in 2014. Anise and similar seeds were about \$2.00. Ginger was up to \$3.50/kg and pepper to \$6.88. The price of saffron was very high in 2010 but was less than half as much by 2014. Retail prices are harder to gather or graph, but a sample is offered in Table 27 comparing spice prices in a Global Food store in Maryland, U.S.

U.S. domestic production. The U.S. is not a significant agricultural producer of any of the spices included in this study, but it has a major grinding and packaging industry.

Import evolution by top countries. U.S. imports of ground pepper have been increasing slowly, to \$135.5 million in 2014. Overall, the main supplying countries are India, Peru, China, Mexico and Spain.

Table 27. Comparing spices at Global Food in Montgomery Village, Maryland

Brand	Size	Packaging	Price	Origin
Badia	Black pepper, ground	7-ounce plastic bottle	\$2.99	Packed in U.S.
Badia	Anise seed	1.75-ounce glass bottle	\$1.75	Packed in U.S.
Orale!	Cinnamon, ground	1.25-ounce plastic bag	\$0.99	Packed in U.S. by Lisy Corp., Miami

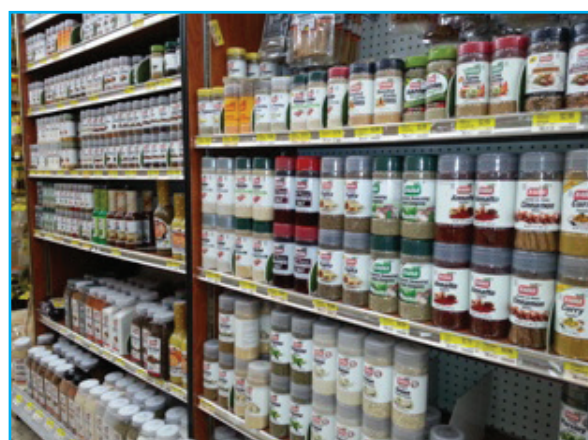
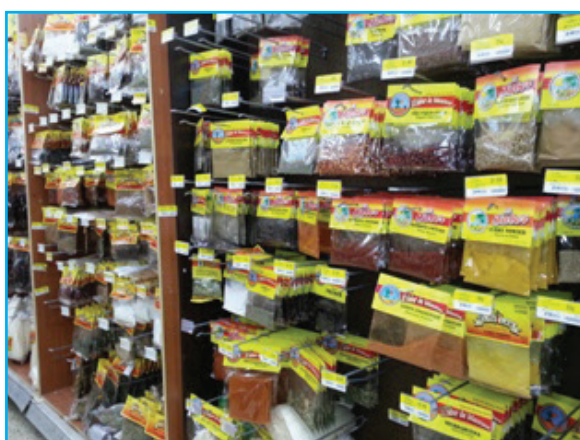


Photo 10. Spice displays

3.10 Macadamia Nuts

Table 28 illustrates U.S. imports from 2010 through 2014 of shelled macadamia nuts (HS number 080262), in thousands of dollars and thousands of kilograms. The U.S. also imports them unshelled.

Table 28. U.S. imports of shelled macadamia nuts, 2010–2014 (in thousands of kilograms and thousands of dollars)

	2010	2011	2012	2013	2014
Quantity	0	0	6,464	6,675	9,333
Value	0	0	83,033	84,765	113,098
Ave. customs value per kg	Not recorded	Not recorded	\$12.85	\$12.70	\$12.12

The most important supplying countries were South Africa, Kenya, Australia, Guatemala and Malawi.

Market size and trend. In 2010, U.S. imports of macadamia nuts were 8,515MT. Adding that to U.S. production (see below) gives a market of about 30,000MT. The consultant recognizes that he is combining statistics from different years and ignoring exports (which are quite small).

Market segments and what motivates them to buy. The largest market for macadamia nuts is industrial users, who manufacture a variety of confectionary products. There are also sales through wholesalers and retailers to individual consumers, including tourists who buy them in airports and other locations, especially in Hawaii and California.

Pricing and origin. The average customs value of all macadamia nuts (shelled and unshelled) imported to the U.S. in the first nine months of 2014 was \$5.06/lb. or \$11.13/kg. As per the calculation in the table above, the value of shelled macadamias in 2014 averaged \$12.12/kg.

U.S. domestic production. According to a report from the Agricultural Marketing Resource Center (AgMRC), U.S. production of macadamia nuts in 2012 was 22,000MT and had a value of \$35.2 million dollars.

Import evolution by top countries. About 99% of the macadamia nuts imported in 2014 were shelled. The main suppliers of macadamias to the U.S. are South Africa, Kenya, Guatemala and Australia. Another African country, Malawi, is in fifth place. Imports from Guatemala are relatively stable, while those from the other three countries have been rising slowly but steadily.

A Harris Teeter supermarket in Gaithersburg, Maryland had no macadamia nuts, and a Giant supermarket had just one brand. Table 29 provides information on that brand and on others available on the Internet.

Table 29. Comparing macadamia nuts: Royal Hawaii in a Giant supermarket, Café Britt and Maola Loa on Amazon.com

Brand	Size	Packaging	Price	Origin
Royal Hawaii	5 ounce	Plastic bag	\$5.99	Hawaii, USA
Café Britt	5 ounce	Opaque plastic bag	\$9.95	Costa Rica
Mauna Loa dry roasted	11 ounce	Opaque plastic bag	\$16.39	Hawaii, USA



Photo 11. Nuts display in a Giant Supermarket

We do not have production statistics for Africa but know that some macadamia nuts are being produced in South Africa, Kenya, Malawi, Zimbabwe and Rwanda. The firm Norlega Macadamia Rwanda has production in that country and is encouraging other farmers to produce this product.

4. U.S. Tariff Structure

Based on the assessment of the U.S. Harmonized Tariff Structure, all of the products selected in this report can enter the United States duty-free. Here are many specialty food products with their apparent HS numbers and duty status from Rwanda.

Table 30. Product classifications and rates of duty

Product Categories	Product description	HS Code	AGOA eligible (Duty free)	General (if not AGOA or other special category)	GSP Status
Honey	Natural honey	0409.00.00	Yes	1.9 cents /kg	A+
Honey	Honey Packaged for retail sale	4090 00 01	No	1.9 cents /kg	
Coffee	Coffee, not roasted, not decaffeinated	0901 11 00	No	Free	
Coffee	Coffee, not roasted, decaffeinated	0901 12 00	No	Free	
Coffee	Coffee, roasted, not decaffeinated	0901 21 00	No	Free	
Coffee	Coffee, roasted, decaffeinated	0901 22 00	No	1.5 cents/kg	
Coffee	Coffee substitutes containing coffee	0901.90.20	Yes	Free	
Tea	Black tea, or certified organic tea	0902.10.90 & 0902.30.00 & 0902.40.00	No	6.40%	
Tea	Flavored tea	090210 0 & 09022010	No	5 cents/kg	
Spices	Anaheim and ancho pepper, dried or crushed or ground	0904.20.40	Yes	3.20%	
Spices	Bay leaves, other than crude or not manufactured	0910.40.40	Yes	Free	
Spices	Black, white pepper	0904 11 00	No	Free	
Spices	Crushed or ground	0904 12 00	No	Free	
Spices	Mixtures of mashed or macerated hot red peppers and salt (Hot sauces, pepper sauce)	0904.22.73	No	Free	
Bananas & plantains	Bananas and plantains, fresh	0803 10 10	No	1.40%	
Bananas & plantains	Bananas and plantains, dried	0803 10 20	No	Free	
Potatoes	Potato chips	2005.20 00.20	No	8.70%	
Vegetables	Tomatoes, dried, whole, other	0712.90.78	Yes	5 cents/kg	
Nuts	Nuts NESI , fresh or dried, shelled	0802.90.98	Yes	0.51 cents/kg	
Fruits	Pineapples, fresh or dried, not reduced in size, in bulk	0804.30.20	Yes	1.1 cents/kg	
Fruits	Pineapples, fresh or dried, not reduced in size, in crates or other packages	0804.30.40	Yes	0.44 cents/kg	

Fruits	Pineapples, fresh or dried, reduced in size	0804.30.60	Yes	11.2 cents/kg	
Fruits	Avocados, fresh or dried	0804.40.00	Yes	1.9 cents/kg	
Fruits	Oranges, fresh or dried	0805.10.00	Yes	1.8 cents/kg	
Fruits	Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids, fresh or dried	0805.20.00	Yes	11.20%	
Fruits	Papayas, frozen, in water or containing added sweetening	0811.90.40	Yes	1.8 cents/kg	
Fruits	Citrus fruit, provisionally preserved, but unsuitable in that state for immediate consumption	0812.90.20	Yes	0.25 cents/kg	
Fruits	Pineapples, provisionally preserved, but unsuitable in that state for immediate consumption	0812.90.40	Yes	10.90%	
Fruits	Mangoes	0811.90.52	No	0.8 cents/kg	
Fruits	Strawberries	0812.90.50	No	2.20%	
Jams	Strawberry jams	2007.99.10	No	4%	
Jams	Pineapple jams	2007.99.40	No	11.9 cents/kg	
Fruit juice concentrates	Strawberries, otherwise prepared or preserved, NESI	2008.80.00	Yes	10.6 cents/kg	
Fruit juice concentrates	Avocados, otherwise prepared or preserved, NESI	2008.99.10	Yes	7.85 cents/liter	
Fruit juice concentrates	Orange juice, not frozen, concentrated, or not concentrated	2009.19.45	Yes	7.85 cents/liter	
Fruit juice concentrates	Pineapple juice, concentrated (in concentrations greater than 3.5 degrees)	2009.40.40	Yes		

Here is summarized information for the products covered in this study.

- Banana chips: HS number 0803.90.45 (banana and plantain chips, other than plantain), free from most-favored nations (MFN).
- Bottled honey: HS number 0409001010, comb honey and honey packaged for retail sale, free under the Generalized System of Preferences (GSP).
- Coffee, not decaffeinated, in retail containers of 2 kilograms or less: HS number 0901.21.0045 and .65, free under GSP.
- Dried tropical fruit snacks: HS numbers 0803+ to 0806+ and 0813+ (different numbers for different fruits), most free under GSP.
- Fruit juice concentrates: HS numbers 2009+ (combined with fruit juices), most free under AGOA.
- Hot sauce: HS number 0904.22.73 (pepper sauce), free under GSP.
- Marmalade of tropical fruits: HS numbers 2007+ (different numbers for different fruits), most free under GSP or AGOA.
- Tea, processed and packaged: HS number 0902 (tea in all forms), free under GSP.

¹² LACF is a special registration for companies that produce low-acid and acidified canned (or otherwise packaged) foods for the U.S. market. It involves registering a production process with the FDA, including details of how a product is heated to eliminate pathogens.

- Spices: Saffron, HS number 0910.20.00, free under MFN; Ginger, crushed or ground, HS number 0910.12.00, free under GSP; Pepper, HS number 9004.22.80, free under MFN; Anise/badian seeds, crushed or ground, HS number 0909.6200, free under MFN; Cinnamon, crushed or ground, HS number 0906.20.00, free under MFN.
- Macadamia nuts: HS number 0802.61.00, free under GSP.

Tariff for third countries. In most cases, the tariff for countries other than Rwanda is also zero or very low. For example, for crushed and ground ginger the MFN duty is just one cent per kilogram and for macadamia nuts, a high-value crop, it is five cents per kilogram. AGOA might give Rwanda's exports a small advantage, but the country's exporters do not really have significant tariff advantages. They must compete in product quality and sanitation, packaging and branding, pricing, distribution and promotion.

5. U.S. Non-Tariff Restrictions

5.1 Import Regulations

U.S. import regulations for all processed foods must be strictly obeyed. The most important ones are as follows:

- Bioterrorism Act. All companies that handle food products for the U.S. market must register under a law known popularly as the Bioterrorism Act and name a person or company in the U.S. as their "U.S. Agent". This is not a selling agent but an emergency contact with the firm for the Federal Food and Drug Administration, FDA. Companies can try to do this on the Internet at <http://www.fda.gov/Food/GuidanceRegulation/FoodFacilityRegistration/ucm2006831.htm>. Consultants who do these registrations charge between \$100 and \$500.
- LACF registration. Companies shipping canned or bottled products to the U.S. that are acidified or low in acid should determine whether they need to register with FDA/LACF as producers of low-acid canned foods. Products on the list for this report, which might be subject to this, are honey, fruit juice concentrates, hot sauce, and marmalade. Registration can be done on the same website mentioned above but is much more complicated than for Bioterrorism.
- Food sanitation. Under new U.S. food sanitation regulations, U.S. companies that import food products must certify that their suppliers meet this country's standards of sanitary operation. This requirement is met by a certificate from an independent auditor who is approved by the FDA. The auditor will normally insist that a firm use a quality and sanitary control system such as Hazard Analysis and Critical Control Points, or HACCP. This implies, for example, carefully monitoring suppliers of food ingredients, following a schedule for cleaning and sanitizing food handling equipment, keeping a record of everyone who comes into a producing facility, and much more. Information on these regulations can be found at many websites, especially <http://www.fda.gov/Food/GuidanceRegulation/FSMA/ucm361902.htm>
- Pesticide residues. There should be no significant residues of pesticides that might be injurious to human health.
- Product labeling. There are detailed regulations for labeling processed foods that include the information required, its placement on the labels, and even the font size that must be used. A key panel is the nutritional analysis of the food product. There is a basic guide to food labeling at <http://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/ucm2006828.htm>. More specific information is on other FDA websites and in the Code of Federal Regulations. Consultants who review and give their opinions on food labels charge from about \$90 to \$1,000.
- Food additives. One must be careful to ascertain that all the ingredients in a food product have been "generally recognized as safe" (GRAS) by the FDA. Also, nearly all ingredients must be listed on the labels. One major area of concern is colorants because products are stopped at the border if they are found to contain dyes that are not permitted.

- Import documentation. Documentation for shipments to the U.S. is more or less standard in international trade. This country requires a commercial invoice, a bill of lading or airway bill, and a certificate of origin if the goods will be entered under AGOA or the GSP. Also it can be useful to send the importer, ahead of time, copies of any sanitation certificates from the Rwandan government or independent auditors.
- Prior notice of shipments. At least 48 hours (less if by air) before a shipment of food arrives at a U.S. port, the FDA must be notified so it can decide whether or not to do a physical inspection. This is usually done by the foreign freight forwarder in the port of exportation.
- Trade conventions. Producers of food products should stamp lot numbers, or can codes on their packaging so that, if a defective product is discovered, they can try to recall all products from the same production run. Products can be imported without these codes, but they cannot be shipped from one U.S. state to another. Producers are not required to stamp sell-by or use-by dates on their packages, except for infant formula, but this is a convenience to the store and the consumer. Also, they are not required to have bar codes on their packages but, if they don't, wholesalers and retailers will not accept the packages. Bar codes are purchased from an organization named GSI. It does not have an office in Rwanda but there is one in Kenya at:

Allbid House, 2nd Floor, Wing C, Mombasa Road
P.O Box 3243, 00200 Nairobi, Kenya
Phone: +254 20 238 5270/2319414
Website: www.gsikenya.org, Email: info@gsikenya.org

Table 3 I. Steps in complying with U.S. import regulations

TYPE OF REGULATION	COMMENT
Bioterrorism registration	Required for all firms that handle products for consumption in the U.S.
Low-acid canned food registration	Registration process for canned or bottled food that is low in acid or acidified
Food sanitation	Requirements for all firms that produce food products for the U.S. market
Pesticide residues	Strict tolerances for all fresh and processed foods sold in the U.S.
Product labeling	Strict labeling regulations for consumer-ready food products
Food additives	Regulations that limit the additives that can be used
Import documentation	Standard document for all shipments to the U.S.
Prior notice of shipments	Required for shipment of goods regulated by the Food and Drug Administration

In addition, there are regulations that apply to a few of the products that are the subjects of this study. They are as follows.

Bottled honey. If you add any ingredient to the honey, such as sugar or a flavoring, it must be disclosed on the label. The U.S. Government wants the consumer to know exactly what he or she is buying.
Dried tropical fruit snacks. These products must not have significant insect damage, mold or decomposition. Sulphur dioxide may be used as a preservative and not declared on the label.

Fruit juice concentrates. Companies that produce fruit juices and concentrate have long been required to use HACCP systems. Any ingredient other than juice must be declared.

Marmalade of tropical fruits. According to the Code of Federal Regulations (21CFR150), using the name "fruit preserves" for products made with fruit other than berries requires that 45% of the product be fruit and 55% sugar, by weight. Not less than 65% of the product must be solid matter.

Spices. Spices cannot have more than very small quantities of insect excreta, other foreign matter or mold. Exact tolerances for some products are available at: <http://www.fda.gov/food/guidanceregulation/guidancedocumentsregulatoryinformation/ucm056174.htm>

Macadamia nuts. Regulations are different for different kinds of nuts. In general, shelled nuts should contain no more than 5% of pieces showing insect damage, rancidity or mold. In practice, even one rancid nut in a shipment can result in rejection by the buyer.

5.2 AGOA Rules of Origin and Compliance

AGOA rules of origin are not likely to be relevant to any of the ten selected products because, even if some materials and ingredients are imported, the products have nearly 100% local value added, these products will all qualify for duty-free status provided by AGOA. However, for the industry's understanding of AGOA rules of origin beyond these ten products, the following information is provided:

Box 1. AGOA rules of origin

- The product must be imported directly from an AGOA-beneficiary country into the U.S.
- The product must be the “growth, product or manufacture” of AGOA beneficiary countries.
- A product that incorporates materials sourced from non-AGOA beneficiary countries must have a sum of the direct cost or value (i.e., the transaction value of the materials produced in the AGO beneficiary countries), plus the “direct costs of processing” undertaken in the AGOA-beneficiary countries, that equals at least 35% of the product's appraised value at the U.S. port of entry;
- No more than 15% of the 35% can be from U.S. parts and materials.

5.3 Applicable Standards and Certifications

There are few, if any, standards as such for the products covered by this study. The only strict requirements for certification relate to sanitation; however, any kind of certification can be useful. These include: organic, kosher, halal, gluten free, and fair trade.

The basic sanitation requirement is that foods be free of any organism that might adversely affect human health. This is assured by using a control system, normally Hazard Analysis at Critical Control Points (HACCP). A firm must be “certified to implement HACCP” and an independent auditor, approved by the U.S. FDA, should certify to the U.S. importer that the producer is using a HACCP system. Under a new law, the importer is responsible for the safety of the food he or she handles.

The International Standardization Organization (ISO), has published a series of documents that relate to food safety and quality. The new ISO 9001–2015 replaces earlier versions of ISO 9001 and allows an organization to integrate its quality management system with food safety systems such as HACCP.

Some ISO documents that are relevant to food producers are:

- ISO 22000:2005 contains the overall guidelines for food safety management.
- ISO 22004:2014 provides generic advice on the application of ISO 22000.
- ISO 22005:2007 focuses on traceability in the feed and food chain.

- ISO/TS 22002-1:2009 contains specific prerequisites for food manufacturing.
- ISO/TS 22002-2:2013 contains specific prerequisites for catering.
- ISO/TS 22002-3:2011 contains specific prerequisites for farming.
- ISO/TS 22002-4:2013 contains specific prerequisites for food packaging manufacturing.
- ISO/TS 22003:2013 provides guidelines for audit and certification bodies.

And the basic steps in a HACCP system are the following:

- Conduct a hazard analysis.
- Identify the Critical Control Points.
- Establish critical limits.
- Establish monitoring procedures.
- Establish corrective actions.
- Establish record-keeping procedures.
- Establish Verification Procedures .

Sanitary control of all phases of production has become very important because of the several cases of food-borne illness over the last twenty years and of new FDA regulations. Just in November, 2015, E. coli was discovered in products sold by two of the largest food and beverage industry firms, Starbucks and Costco, and this has encouraged the entire food industry to be more careful.

5.4 Customs Procedures

Customs procedures in the U.S. are the responsibility of the importer. Exporters in Rwanda should help the importers by making sure to supply clean, safe products, properly labeled and with the required documentation.

When an import shipment reaches a U.S. port, the importer of record will complete a document to request that it be entered into the commerce of the country. To do this, the person or firm needs evidence of the right to enter the goods, a commercial invoice, sometimes a packing list, and often a certificate of origin or other document. The goods may or may not be inspected.

Most entries are for “immediate delivery” and for “consumption” in the U.S. The importer will receive his merchandise and, later, file another form to “liquidate” (pay) any duties that are due. Usually, a customs broker, who has power of attorney from the importer, will do this work. The importer must provide a “bond” to assure Customs that an importer will pay any duty that is due, even though he has already received the merchandise.

For shipments valued at less than \$2,500, of nearly all items including all food products, there is a simpler system of customs clearance that is called an “informal entry”.

5.5 Packaging and Labeling Requirements

Packaging requirements are not normally imposed by the U.S. Government, but they may be imposed by the buyers. Banana chips are usually packaged in transparent bags and may be protected by nitrogen. Bottled honey can be in either glass or plastic, but it should be very attractive. Coffee beans can be in any kind of packaging materials but, if the coffee is ground, the material must be impermeable by air. Dried fruits are packaged in impermeable plastic bags whereas fruit juice concentrates are usually sold in bulk aseptic barrels. Hot sauce is nearly always in glass bottles of varying sizes. Marmalade is usually in glass jars but plastic is also used for lower-end markets. Processed tea is normally in paper boxes, often with waxed paper liners and cellophane wrapping. Tea bags are usually individually wrapped in a variety of materials and then placed in small boxes.

Spices for retail sale come in small glass or plastic jars, usually about 0.3 ounces (8.5 grams) or 0.6 ounces (17 grams), but the weight depends on the kind of spice. Macadamia nuts are in food-grade plastic bags, of which there are many types. The U.S. government does not have a set of regulations on packaging; however, it does have strict regulations on labeling. The basic information can be found at: <http://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/ucm2006828.htm>

Other requirements for and limitations on imports from Rwanda

The main requirements or limitations for imports from Rwanda are those related to product quality, sanitation, packaging and labeling, shipping costs and financing. The exporters will have to finance their production because buyers do not partake in that.

For an excellent summary of payment terms in the food trade, see Chapter 3 of the FAO document, *Financing Normal Levels of Commercial Imports of Basic Foodstuffs*, at <http://www.fao.org/3/a-y5109t.pdf>.

6. U.S. Consumer Trends

6.1 Current Consumption Trends

Food-marketing pundits have surprisingly different opinions about trends in the food industry, but most seem to agree on the following demand factors that Rwanda's food exporters should consider.

- Consumers want processed food to be as close as possible to unprocessed food; this is leading to food that has a lower number of ingredients.
- Consumers like the idea of functional foods, whether naturally healthy or fortified with additives such as vitamins, minerals and fiber.
- As the average size of households is shrinking, consumers want to buy food in smaller packages.
- As immigration from Africa, Asia, the Caribbean and Latin America to the U.S. continues, consumers have a broader desire for spicy food with more interesting flavors.
- Consumers are attracted to packaging that is attractive, most of which is found in upscale supermarkets and gourmet stores.

6.2 Future Consumption Trends

The most useful predictions of future trends are made by private manufacturing companies that invest significant resources in research and development. They rarely share this information but here are some general trends.

- Consumers want more gluten-free products.
- Consumers want more local, simple, natural, old-fashioned products
- Consumers want more Mediterranean, Italian, Hispanic, Spanish and Indian products

Some additional trends, from a new publication of the Specialty Food Association, indicate the following:

- There is more interest in artisanal (hand-made) food products.
- Americans will eat more fresh vegetables and less meat and pasta.
- Coffee houses, already widespread in the U.S., will sell iced coffee on tap, like beer, with foam on top.



7. U.S. Distribution

7.1 Origin of Imports (Key Competitors)

The main countries that export the pre-selected ten products to the U.S. are mentioned in Section 3 of this report. Note that, except for South Africa, these are not AGOA countries. Rwandan firms will be competing mainly with suppliers from Asian and Latin American countries, and from Canada. Canada has a strategy to increase exports that includes product innovation, increasing productivity, and careful management of the exporters' supply chains.

7.2 Types of Importers

For all of the products there are independent importing companies, usually small, which take title to and possession of products and resell them. There are also wholesalers, foodservice distributors and retail chains that import some products, usually selling high volumes. For the fruit juice concentrates, there are a few industrial distributors and manufacturers that do their own importing. There are also manufacturers of fruit juice and other products which import, either on their own or with the aid of brokers.

Distribution to the African market is less well organized than to the Asian and Hispanic markets, but this is changing slowly. Most importers who handle food products from Africa buy basic, unprocessed or simply processed agricultural products such as cassava flour and ground nuts. With processed foods, some firms from South Africa, Egypt and a few other countries sell to normal specialty foods importers.

There are a few African foods wholesalers such as Beltsville International Foods in Maryland and Heritage Distributors International in New Jersey. They are listed in an annex to this report. The annex has an incomplete but extensive list of African stores. There are more stores focused on African customers but, in many cases, the owner travels home about twice a year and does her or his own buying.

7.3 Supplier Selection

Companies that already have an established import operation have their suppliers well identified. Suppliers are selected because they can meet a company's requirements for product characteristics, quantity, quality and sanitation. Suppliers must also have competitive prices, FOB/U.S. port and be able to meet shipping schedules. Other factors in the selection of suppliers are whether a supplier can provide financing and can help with promotion of sales.

A publication from Information for Entrepreneurs (see "Info Entrepreneurs" in the Bibliography) suggests that buyers look for the following:

Table 32. Key criteria for selection of suppliers

Criterion	Explanation
Reliability	The supplier must deliver as promised, every time.
Quality	The merchandise must always be of the same quality as that ordered.
Value for money	The reliability, quality and service must be worth the price paid.
Strong service and clear communication	There should be frequent contact. The supplier must tell the importer immediately of any problem that might affect a shipment.
Financial security	The supplier needs strong cash flow and a good credit rating.
A partnership approach	The supplier and the buyer should work as a team, each helping the other.

7.4 Payment and Contract Terms

Payment terms present a problem because the buyer and the seller have very different needs for cash and different cycles to recover it from their sales. U.S. food importers prefer to buy on open account, with payment by bank transfer about 30 days after the merchandise arrives at a U.S. port, and the large ones insist on these terms. This means that Rwandan exporters will have to provide financing for that period of time. Although payment 30 days after the goods reach a U.S. port has been the norm for many years, for products that move slowly through the shelves, buyers may require a 90- to 120-day payment period. This is normally the case with products with about a year of shelf-life.

Even when buyers commit to a 30-day payment period, they often fail to respect this agreement due to slow sales or lack of payment from their distributors or retail outlet partners. That is why meeting the buyer face to face, seeing and understanding their operations, and getting referrals on their performance and payment practices is important. Lack of financing to withstand such payment cycles is a difficult reality for many small firms and a leading threat to sustainability. This is not particular to African small firms but affects firms all over the world. If a supplier has an excellent product, which a buyer really wants, he or she should be able to negotiate more favorable payment terms.

Smaller, lesser-known importers also prefer open account, but it is often unsafe to offer that payment term. Exporters can use sight drafts with documents against payment or against acceptance and “to order” bills of lading. This method is inexpensive and is usually safe. It is very hard to persuade U.S. buyers to open letters of credit because they are expensive and because they reduce the amount of credit that a company has available.

7.5 Key Distribution Channels

Historically, the distribution channels were as follows:

- Importer to wholesaler to retailer to consumer, OR
- Importer to foodservice distributor to industrial or organizational buyer.

Now, however, channels are often shorter. There are wholesalers, retailers, industrial distributors and industrial buyers that import some products directly. Also, there are many mail order and Internet merchants who buy mostly from importers and sell directly to consumers. With processed tea, for example, about half of all sales are known as “ready to drink”. The rest go through a combination of supermarket, drug and mass merchandisers, foodservice companies and specialty stores. Table 33 presents a description of food distribution channels taken from an online report by The Food Dude. This is followed by Table 34, presenting the approximate percentages of specialty food sales through each type of distribution channel.

Table 33. Food distribution players in the U.S. (not including manufacturers and importers)

Type of player	Stores served	Service type
Specialty/gourmet foods distributors: mainly dry groceries	Specialty/gourmet, health/natural, supermarkets, convenience stores, Internet resellers	Pre-sales, drop-off. Some offer merchandising.
Health/natural foods distributors: mainly dry foods, sometimes refrigerated and frozen	Health/natural, specialty/gourmet supermarkets, Internet resellers	Pre-sales, drop-off. Some offer merchandising.
Rack jobbers: dry groceries, usually high volume items	All types, including foodservice accounts	Full service including merchandising.
Wholesalers: They supply supermarkets with most of their inventory. Huge variety of groceries, dry, frozen, refrigerated plus health and beauty aids and sundries.	Mainly super and convenience stores, but some specialty items	Drop at back door. Some offer merchandising.
Warehouse distributors: anything and everything in pallet quantities	Usually their own; clubs, drug, department stores	Drop and go.
Foodservice distributors: anything and everything a foodservice operation uses	Supermarkets, restaurant, hotels, delicatessens, schools, hospitals	Order and drop-off.

Table 34. Specialty food outlets and share of the market

Type of channel	Share of sales values
Direct to retailers	36%
Through distributors to retailers	34%
Through distributors to foodservice companies	14%
Direct to foodservice companies	8%
Direct to consumers	6%
Other channels	2%

The percentages seem small but the market is huge. For example, the 6% direct to consumers represents about \$6.5 billion in annual sales. Internet resellers are not specifically mentioned in this table but are probably included in “direct to consumers” and “other channels”. Their importance is growing, but obtaining shelf space in stores is still the major way of selling specialty foods.

7.6 Retail Structure

The great bulk of food sales in the U.S. is still through supermarkets. These are in different categories: high-end chains such as Harris Teeter, mainstream chains such as Safeway, and economy chains such as Bottom Dollar. Independent supermarkets are considered in addition to these categories.

Other sales are made in natural food stores, ethnic food stores, drugstores and by mail order and the Internet, as well as through other outlets. The consultant believes the kinds of retail outlets that are most



likely to handle products from Rwanda are African stores and multi-ethnic stores such as Lotte. These companies usually have three or four stores that appeal to African, Asian, Caribbean and Hispanic buyers. A store will have one large section for fresh produce and then one or more aisles for processed foods from each world region. In addition, frozen foods are displayed more or less by region. These companies import and do their own distribution.

Retailers are broken into types, as follows:

- Specialty food stores (Trader Joe's).
- Natural supermarkets (Whole Foods).
- Conventional supermarkets (Safeway)
- Convenience stores (Walgreen's, 7-11, CVS Pharmacy's).
- Mass merchandisers (Walmart).
- Club stores (Costco, Sam's Club).
- Foodservice outlets (hotels and restaurants).
- Other types of retailers.

The largest channel is conventional supermarkets, and the fastest growing is natural supermarkets.

Since the Rwandan companies will probably not have large volumes of production in the beginning, they should probably seek importers who focus on selling to specialty food stores.

7.7 Survey of Selected Importers

Several companies have been contacted and five interviews have been completed. The results are presented in an annex to this report. They told us that buyers are not dealing with Rwanda and few are dealing with East Africa but they are willing to look at new products. They need good quality and sanitation, and the quantities they need vary with the size of the importer. The items they might try would depend on their product lines. McCormick might look at spices, Specialty Commodities at macadamia nuts, etc. The interviews provided very little information about prices, payment terms and shipping terms.

Large companies usually have forms on the Internet that one must complete to introduce a new supplier and product. Smaller firms can be contacted by phone and email. They usually ask for information and prices, and then samples, before they will spend much time talking. Most imports of the products studied are made in bulk for packaging in the USA. The packers use their own labels or private labels of their customers.

8. Sales Promotion – Relevant Practices

8.1 Key Trade Fairs

A very important trade show for these products, in general, is the Fancy Food Show which is sponsored by the National Association for the Specialty Food Trade, or NASFT. It is held twice every year, in the summer in New York City and in the winter in San Francisco, California. The next one will take place in San Francisco from January 17-19, 2016, and all of the ten products will be exhibited. This show is expected to have 1,400 exhibitors, 80,000 products and 14,000 buyers. Information about it is available on the Internet at <https://www.specialtyfood.com/shows-events/winter-fancy-food-show/>. Note that exhibition space is sold out for the winter and summer shows in 2016. There are many smaller trade shows, some for specific products and some for specific markets. Some of these shows are as follows:



Banana chips: SNAXPO Exhibit and Conference, March 16-19 in Houston, Texas, <http://www.snaxpo.com/>

Honey: For natural or organic honey, the Natural Products Expo: Anaheim, California March 10-12, www.expowest.com and Baltimore, Maryland September 22-24, www.expoeast.com

Coffee: Coffee Fest, New York City, March 11-13, www.coffeefest.com; Coffee and Tea Festival, New York City, March 21-22, www.coffeeandteafestival.com; Specialty Coffee Association of America, April 14-17, Atlanta Georgia; www.scaaevent.org; Coffeefest, Dallas Texas, June 10-12, www.coffeefest.com

Dried tropical fruit snacks: SNAXPO Exhibit and Conference, March 16-19 in Houston, Texas, <http://www.snaxpo.com/>

Fruit juice concentrates: International Flavors and Technologies (IFT), Chicago Illinois July 16-19, 2015, www.am-fe.ift.org/cms

Hot sauces: Houston Hot Sauce Festival, Houston, Texas, September 19-20, www.houstonhotaue.com; The Great Chicago Fiery Foods Fest, August 8-10, Chicago Illinois, www.twitter.com/chicagofiery ; NYC Hot Sauce Expo, Brooklyn New York, August 25-26, www.nychotsauceexpo.com.

Tropical fruit marmalade: The Fancy Food Shows and local food festivals held everywhere in the country

Tea: World Tea Expo, June 15-15, Las Vegas Nevada, www.worldteaexpo.com. Tea is also included in most coffee trade shows.

Spices: Spice products can be exhibited at almost any kind of food show. For example, the company, PS Seasoning & Spices, exhibits in the Fancy Food Show as well as meat and pizza expos.

Macadamia nuts: Nuts also can be shown in a variety of trade shows including the Fancy Food Show, the Natural Products Expo, snack products shows and even agricultural fairs.

Some shows for specific markets are as follows:

- International Restaurant & Foodservice Show of New York, March 6-8, 2016 in New York City, <http://www.internationalrestaurantny.com/Content/16.htm>
- National Restaurant Association Show, Chicago, Illinois, May 21-24, www.show.restaurant.org
- Food & Spirits Festival & Exhibition, Lancaster, Pennsylvania, November 2016, www.10times.com/food-and-spirits-festival-and-exhibition
- Boca Raton Wine & Food Festival, Boca Raton, Florida, November 2016, www.bocaratonwineandfoodfestival.com
- Many others in specific geographical areas.

Specialty food exporters in Rwanda should begin their trade show experience in the U.S. by attending one of the Fancy Food Shows described above. There is no better way to learn about this market in the U.S.

8.2 Online Sales

It is possible for food exporters in Rwanda to design and promote their own website, hold a stock of merchandise in a warehouse in the United States, take orders online and ship from the warehouse. There is, however, a less expensive way to begin selling via the internet. It is to supply products to an online merchant or to a store in the USA that sells via the internet and ships its products anywhere in the country. Here are a few examples of online merchants for gourmet products:

- www.deandeluca.com/
- www.olivenation.com/
- www.igourmet.com
- www.shoporganic.com
- www.amazon.com

8.3 Merchandising and Product Tasting

It is common for companies that import food to ask their suppliers to help with promotion expenses until the items begin to sell well. Often the exporter must provide free samples for store buyers, provide an initial stock of merchandise for three or four stores, pay slotting fees (payment to the store for trying a new product on its shelves) and provide enough of the product for sampling, perhaps three times in three or more stores. The importer will provide personnel for sampling and print discount coupons for future purchases. The store will provide the space and a small table.

Retail stores charge slotting fees because it costs them money to try new products and there is risk involved. According to a report by the U.S. Federal Trade Commission, at least 1,000 new products are introduced each year and about 70% of them fail. In supermarkets, the fee amount ranges from about \$2,000 and up, per product per store.

New products are frequently displayed in stores, where consumers are invited to taste them. Typically, the exporter provides the products, the importer organizes the event and pays for persons to give samples, and stores provide space and small tables. People who taste the product are encouraged to buy it and are usually given discount coupons.

8.4 Strategic Alliances

When an exporter works with an importing company to sell a product, he or she is essentially in a strategic alliance with that company. They work together for their mutual benefit. Also, two or more producers or exporters can ally themselves to share marketing costs and promote sales. Most of the products covered by this study can be distributed and promoted in similar ways, so marketing and distribution could be done jointly. In other countries there have been various types of joint export associations but not all have been successful.

Strategic alliances come in many forms and there are examples on the Internet. One form that might work for companies in Rwanda is to ally with a U.S. manufacturer with which the product lines complement each other. For example, a Rwandan company making instant coffee could ally with a U.S. producer of tea bags. This would give the Rwandan company distribution in the U.S. and would give the American company profit from sales of coffee.

Also, companies could try to ally with organizations of Africans in the U.S. There is an active Rwandan group on Facebook at <https://www.facebook.com/Rwandan-Community-in-North-America-307776915940209/>.

8.5 Others (Catalogues, Brochures, Quotations)

It is normal for exporters to prepare sell sheets that include specifications and other information about their products. These can include prices or prices can be on a separate document. Good photographs of factories and of company managers can be somewhat useful but buyers in the U.S. normally want to see hard facts. They want to know how long a company has been in business, its value of sales, its existing customers, the size of its bank account and details of its products, such as package weights and dimensions, ingredients and their sources, types of factory equipment, quality and sanitary assurance systems in use, and more for specific kinds of products.

For an excellent (perhaps extreme) example, see the specifications for honey published by the federal government of Ethiopia located at: <https://law.resource.org/pub/et/ibr/et.1202.2005.pdf>.

Price quotations are a particular problem because, in general, each party to a transaction wants the other to quote first. If one asks a buyer how much he or she is paying to other suppliers, the buyer might answer and the answer may or may not be true. Exporters in Rwanda will have to quote, probably CIF to U.S. ports, high enough to cover their costs and make a small profit. If they cannot sell at those prices, they will have to find ways to reduce costs or to upgrade their products so they will sell in high end or gourmet stores.

9. Recommendations

9.1 Suggested Buyers and Products

Buyers. Most new exporters to the U.S. begin by selling to importers because it is very hard to bypass them until one's products are established in the market. A list of the major companies that distribute specialty foods in the U.S. is offered in the annex, followed by a list of ethnic grocery stores that sell African goods. Many of them import and most of those that do not import themselves have specific importers from which they buy. Other potential buyers include the companies interviewed during this research. See Annex II for reports on these conversations.

Recommended products. It is hard to know which products will be the best because success depends so much on the abilities of the exporting companies. Based on research and interviews with buyers, out of the ten studied, the most promising may be banana chips, dried tropical fruit snacks, macadamia nuts, hot sauce and perhaps some spices.

9.2 Strategy, Target Markets for Rwandan Exporters into the U.S.

The suggested target market for Rwandan exporters is people who buy in specialty food stores. Since these are somewhat concentrated near the east and west coasts of the country, it seems logical to begin in one of those areas. Most sales are likely to be made in the metropolitan areas of New York and Washington, D.C., in the east, or in those of Los Angeles and San Francisco, in California.

Actions to begin selling are listed in the next section, subtitled Next Steps. In terms of volume, the exporters will probably start by sending samples by air courier. Then they may go to a test shipment by air freight and then a larger shipment by air freight. The goal is to work up to at least 20-foot container loads because with any small quantity the shipping cost per unit will be very high. A standard 20-foot container is 6.1 meters long, 2.44 meters wide and 2.59 meters high. Its cargo capacity is 39 cubic meters.

9.3 Next Steps

Company managers in Rwanda should not let themselves think it will be easy or inexpensive to enter the U.S. market. First, they should be selling successfully in Rwanda and other East African countries.

Second, they should travel to the USA to visit a trade show, examine competing products and meet with potential buyers.

Third, they will almost certainly have to alter their products, packages and labels to meet U.S. legal regulations and buyers' requirements.



Fourth, they should design market entry strategies that include their target markets, product characteristics, distribution, pricing, promotion and logistics. They might want to place products in a warehouse, perhaps in Baltimore, Maryland. Another choice is to find a warehouse in a port either in New York or New Jersey from which products can be quickly delivered, in small quantities. The most feasible way to do this is to use the services of a fulfillment house. These are companies that receive and store products for a supplier, provide insurance, keep inventory records, and ship to buyers when instructed to do so. Some of them also do direct-mail and Internet advertising to make sales.

Fifth, they should make small test shipments to test the shipping procedures, compliance with regulations, salability of their products, shipping times and actual and accurate shipping costs. The results of these tests should be carefully analyzed in case corrective action needs to be taken. In the next phase of this study, more detailed actions will be defined through a consultation process in Rwanda.



APPENDICES

APPENDIX I: COMMENTS ON INTERVIEWS WITH U.S. BUYERS

Here are some of the main comments received in interviews with buyers.

- Most have heard of Rwanda but could not place it on a map and have never been approached about buying any products from there.
- They do not want to talk without having product samples and prices. Their time is very valuable.
- They are interested in seeing new products, but new ones must be better in some way than the ones they are carrying now. They must be higher in quality, be lower in price, come with more money for promotion or be superior in some other way.
- They are concerned about the cost of shipping from Rwanda and the ability of exporters there to deliver on time.
- They are concerned about sanitation, especially in view of the new FDA requirements.
- Some insist that new suppliers follow the standard procedure of completing a form on the Internet for their products to be considered.
- Most say it can take several weeks or months for them to make a decision to try a new item.

APPENDIX II: REPORT OF U.S. INTERVIEWS

Trader Joe's

Store at 18270 Contour Road, Gaithersburg, MD 20877, 301-947-5953

This is a nationwide chain of specialty food stores with the head office located in Monrovia, California. The sales volume is very high. They buy from U.S. manufacturers, import, and sell through about 457 stores.

They import from all regions of the world.

Spoke with Youssef, Assistant Manager of the store.

Types of products handled: About 4,000 items, including produce, packaged foods and frozen foods. At the store they have imported a few items from South Africa.

Which of the ten products they would be most likely to try: They carry all the products and might try any if the supplier could meet their requirements.

Quantities they would probably order for a trial shipment: They would order enough to test a product in a few stores for a few weeks.



Shipping terms they usually use: The person interviewed did not provide this information.

Prices a new supplier would have to meet: The company is known for negotiating very low prices and buying direct from suppliers.

To keep costs down, they require credit from suppliers.

Kinds of sanitary and quality control methods they require: They require strict sanitary controls, as specified by the FDA.

How new suppliers begin trying to work with them: New vendors' requirements are at <http://www.traderjoes.com/contact-us/new-vendor-requirements>. There is a link to a form that the potential vendor must complete.

Interest in private label: A great deal of their merchandise is private branded. They prefer to buy that way.

Other comments for potential suppliers from Rwanda: Products should be unique, different, exciting.

Whole Foods, Inc.

Store at 316 Kentlands Blvd., Gaithersburg, MD 20878, 301-258-9500

Very large company with 431 stores. Retailers, but they do some direct importing.
Types of products handled: Foods, cosmetics and other items, mostly natural or organic.

If it imports, from where: In 2011 they received about 270 shipments by sea, mainly from Italy, France, Costa Rica, Argentina and Brazil, worth about \$10 million.

Buyer's name: The import buyers are in Austin, Texas, but both districts and stores can buy from importers. The key person in the Gaithersburg store is Liz Kujala, Grocery Team Leader, 301-258-9500.

Buyer's phone: The main number in Austin, Texas is 512-477-4455.

Carry products from East Africa: A few, such as banana chips, but they do not import directly.

Which of the ten products they would be most likely to try: Whole Foods carries all the items. They might try banana chips, dried tropical fruit snacks, spices or macadamia nuts.

Quantities they would probably order for a trial shipment: A trial shipment for Whole Foods could be a 20-foot container load so they can test the product in various stores.

Shipping terms they usually use: This is negotiable, but they would want the product out of Africa. That means shipping FOB/vessel or CIF U.S. port.

Kind of sanitary and quality control method they require: There is information about their standards at <http://www.wholefoodsmarket.com/quality-standards>

How new suppliers begin trying to work with them: New vendors' requirements are at the website: <http://www.wholefoodsmarket.com/quality-standards>



Interest in private label: Whole Foods uses the 365 private brand and is constantly bringing out new products with that brand.

Other comments for potential suppliers from Rwanda: They are very unlikely to begin buying directly from Rwanda but a company who imports from there can approach any of the district offices. The supplier will probably have to do in-store sampling for quite a while.

Mavuno Harvest

Philadelphia, Pennsylvania, phone 267-615-8251

Size of company: Very small. Importer and distributor.

Types of products handled: Dried mango, banana and pineapple. Note, these are not chips. They are organic, fair trade, non-GMO slices of dried fruit.

If it imports, from where: Uganda and Burkina Faso

Buyer's name: Phil Hughes

Buyer's phone: 267-615-8251

Buyer's email: phil@mavunoharvest.com

Carry products from East Africa: Yes

Which of the ten products they would be most likely to try: They need dried banana, mango and pineapple. Could also handle macadamia nuts and possibly coffee.

Quantities they would probably order for a trial shipment: They currently import by air once or twice per month, perhaps 3 tons a month from Uganda and one from Burkina Faso, usually 5 2 kg bags in a box.

Shipping terms they usually use: He did not say exactly, but it sounded like the exporter paid for freight and insurance from money he provided in advance.

How they usually pay—method and number of days: Mavuno pays 50% in advance and 50% on delivery because the suppliers need the financing.

Kinds of sanitary and quality control methods they require: Mr. Hughes said only that the company did not have problems with sanitation. He was not aware of the new FDA regulations.

How new suppliers begin trying to work with them: Contact him with information about capabilities. Interest in private label: Mavuno imports in bulk and packs in the U.S. with its own label. Mr. Hughes tried packaging in Africa, but the freight was more expensive and the appearance was not good enough.

Other comments for potential suppliers from Rwanda: He has worked in Kenya and Rwanda and understands the difficulties faced by producers and exporters in East Africa.



Choice Tropical

10820 Hanna Street, Suite D, Beltsville, Maryland 20705, 301-931-9191

Sales under \$500,000 per year. Importer and wholesaler of African foods

Types of products handled: Frozen, smoked and dried foods, about 20 items

If it imports, from where: Ivory Coast and other West African countries

Buyer's name: Lydia Yao, Owner

Buyer's phone: 240-671-3492

Buyer's email: lydia@choicetropical.com

Carry products from East Africa: No, but they would like to expand their business

Which of the ten products they would be most likely to try: They deal more with staple products and could be interested in marmalade, spices and tea.

Quantities they would probably order for a trial shipment: Small quantities at first to test in a few African stores.

Shipping terms they usually use: Not clear, but we believe it is sea freight and FOB vessel.

Prices a new supplier would have to meet: This depends on the product and the going price when an agreement is made.

Kinds of sanitary and quality control methods they require: Whatever is needed to meet U.S. Government requirements.

How new suppliers begin trying to work with them: Contact Ms. Yao to determine her interest in particular products.

Interest in private label: They can sell under their own or the supplier's label.

Other comments for potential suppliers from Rwanda: It will take time to build a market for East African products but there are buyers for them.

Nina International

P.O. Box 2176, Hyattsville, Maryland 20785, phone 301-322-2040

Revenue \$10 to \$20 million. Imports and distributes 80 African food products to over 1,000 stores. Some products are on Amazon.com.

Types of products handled: Cassava, seeds, beans, flour, spices, others.

If it imports, from where: Willing to look at products from anywhere in Africa.

Buyer's name: Ernest. The president is Rosa Mensah.



Buyer's phone: 301-322-2040

Buyer's email: Website www.ninainternational.com

Carry products from East Africa: At present, only West and Central Africa

Which of the ten products they would be most likely to try: Probably spices and possibly marmalades, hot sauces and shelf-stable fruit concentrate

Quantities they would probably order for a trial shipment: Probably a small shipment by air to see the quality, etc.

Kinds of sanitary and quality control methods they require: They are very careful about sanitation. In 2012 they had to recall ground pepper from stores because of salmonella. That was expensive and they don't want to do it again.

How new suppliers begin trying to work with them: They would want to see samples, prices and information about the quantity available and the quality controls used.

Interest in private label: Possibly. They sell with their own label and with other labels.

Other comments for potential suppliers from Rwanda: The U.S. market is growing—opening up opportunities.

APPENDIX III: U.S. DISTRIBUTORS OF SPECIALTY FOODS

A & B Specialty Foods
P.O. Box 58483
Los Angeles, California 90058
Phone (323) 233-9060
Fax (323) 233-9598

ABC Provisions
6529 Cunningham Road #2201
Houston, Texas 77041
Phone (713) 856-7200
Fax (713) 856-8707
www.ABCProvisions.com

Albert's Organics (UNFI)
200 Eagle Court
Bridgeport, Connecticut 08014
Phone (800) 899-5944
Fax (856) 241-9676
www.AlbertsOrganics.com

Alternative Marketing & Wholesale
Sayreville, New Jersey
Phone (732) 698-2069
www.AlternativeWholesale.com

Associated Buyers
P.O. Box 399 (5 Commerce Way)
Barrington, New Hampshire 03825
Phone (603) 664-5656
www.AssocBuyers.com

Atlanta Foods International
255 Spring Street Southwest
Atlanta, Georgia 30303
Phone (404) 688-1315
Phone (800) 966-6172
Fax (404) 223-6637
www.AtlantaFoods.com

Avenue Gourmet
11445 Cronridge Drive, Suite Q
Owings Mills, Maryland 21117
Phone (410) 902-5701
Fax (410) 902-0600
www.AvenueGourmet.com

Azure Standard
79709 Dufur Valley Road
Dufur, Oregon 97021
Phone (541) 467-2230
Fax (541) 467-2210
www.AzureStandard.com

Bel Canto Foods, LLC
1300 Viele Avenue
Bronx, New York 10474
Phone (718) 497-3888
Fax (718) 497-3799
www.BelCantoFoods.com

The Cheese Works Inc.
247 Margaret King Avenue
Ringwood, New Jersey 07456
Phone (800) 962-1220
Fax (973) 962-6886
www.TheCheeseWorks.com
CHEEZWHSSE.com
111 Business Park Drive
Armonk, New York 10504
Phone (914) 273-1400
Phone (800) 243-3994
Fax (914) 273-2052
www.cheezwhse.com

Daniel Foods
Phone (718) 894-3151
www.DanielFoods.com

DPI Specialty Foods
601 Rockefeller Ave
Ontario, California 91761
Phone 1-866-dpi-9299
www.DPISpecialtyFoods.com

Euro-USA
405 Glenn Drive #6
Sterling, Virginia 20164
Phone (703) 430-5616
Phone (800) 999-5939
Fax (703) 430-5618
www.EuroUSA.net

Euro-USA
4481 Johnston Parkway
Cleveland, Ohio 44128
Phone (216) 714-0500
Phone (800) 999-5939
Fax (216) 714-0550
www.EuroUSA.net

APPENDIX III: U.S. DISTRIBUTORS OF SPECIALTY FOODS

European Imports Ltd.
2475 North Elston Avenue
Chicago, Illinois 60647
Phone (773) 227-0600
Phone (800) 323-3464
www.eiltd.com

Frankferd Farms Foods, Inc.
717 Saxonburg Boulevard
Saxonburg, Pennsylvania 16056
Phone (724) 352-9500
Fax (724) 352-9510
www.Frankferd.com

Frontier Ingredients
3021 78th Street, P.O. Box 299
Norway, Iowa 52318
Phone (319) 227-7996
Fax (319) 227-2041
www.FrontierIngredients.com

Garden Spot Distributors
191 Commerce Drive
New Holland, Pennsylvania 17557
Phone (717) 354-4936
www.GardenSpotDist.com
Good Groceries
98 4th Street, Suite 107
Brooklyn, New York 11231
Phone (347) 853-7462
Fax (718) 768-0932
www.GoodGroceries.com

Gourmet Guru
1123 Worthen Street
Bronx, New York 10474
Phone (718) 842-2828
Fax (718) 842-1679
www.GourmetGuru.com

Gourmet International
6605 Broadmoor Avenue SE
Caledonia, Michigan 49316
Phone (616) 698-8870
Phone (800) 875-5557
Fax (616) 698-8870
www.GourmetInt.com

Gourmet Merchants International
16511 South Main Street
Gardena, California 90248
Phone (310) 808-0960
Fax (310) 808-0964
www.GMIDist.com
Haddon House
250 Old Marlton Pike
Medford, New Jersey 08055
Phone (609) 654-7901
Phone (800) 257-6174
Fax (609) 654-0412
www.HaddonHouse.com

Internatural Foods
300 Broadacres Drive
Bloomfield, New Jersey 07003
Phone (973) 338-0300
Fax (973) 338-1485
www.InternaturalFoods.com

Island Natural
42-07 20th Avenue
Long Island City, New York 11105
Phone (718) 721-8000
www.IslandNatural.com

KeHE Food Distributors
900 North Schmidt Road
Romeoville, Illinois 60446
Phone (815) 886-7530
Phone (800) 995-5343
Fax (815) 886-1111
www.KeHEFood.com

Market Centre, A Unified Grocers Company
3083 Independence Drive, Suite G
Livermore, California 94551
Phone (925) 245-7272
Phone (800) 242-9907
Fax (925) 245-7211
www.UnifiedGrocers.com

Marxana Brand Foods
9166 East Louisiana Place
Denver, Colorado 80247
Phone (303) 337-4445
Phone (888) 560-3562
Fax (303) 337-4877
www.MarxanaBrandFoods.com
www.ClubSauce.com

APPENDIX III: U.S. DISTRIBUTORS OF SPECIALTY FOODS

McMahon's Farm Inc.
305 Jackson Road
Hopewell Junction, New York 12533
Phone (845) 227-0120
Fax (845) 227-9282
www.McMahonsFarm.com

Monel
2770 NW 27th Street
Miami, Florida 33142
Phone (305) 635-7331
Fax (305) 638-8636
www.MonelGourmet.com

Nassau Candy, Specialty Confections & Fine Foods
530 West John Street
Hicksville, New York 11801
Phone (516) 433-7100
Fax (516) 433-9010
www.NassauCandy.com

Nature's Best
6 Pointe Drive, Suite 300
Brea, California 92821
Phone (714) 255-4600
Fax (714) 255-4691
www.NaturesBest.net

Neshaminy Valley Natural Foods
5 Louise Drive
Warminster, Pennsylvania 18974
Phone (215) 443-5545
Fax (215) 443-7087
www.NVOrganic.com

Renaissance Specialty Foods
260 South Maple Avenue
South San Francisco, California 94080
Phone (650) 873-5400
www.RenaissanceSpecialtyFoods.com

Seacrest Foods International, Inc.
73-87 Santilli Highway
Everett, Massachusetts 02149
Phone (617) 394-0004
Fax (617) 394-0008
www.SeacrestFoods.com

Sid Wainer & Son Specialty Produce & Specialty Foods
2301 Purchase Street
New Bedford, Massachusetts 02746
Phone (508) 999-6408
Phone (800) 423-8333
Fax (508) 984-5374
www.SidWainer.com

Steiner Foods
510 North Avenue
New Rochelle, New York 10801
Phone (914) 235-2300
Fax (914) 235-2557
www.SteinerFoods.com

Tony's Fine Foods
3575 Reed Avenue
West Sacramento, California 95605
Phone (916) 374-4000
Phone (800) 464-5429
Fax (916) 372-0727
www.TonysFineFoods.com

Trudeau Distributing
25 West Cliff Road, Suite 115
Burnsville, Minnesota 55337
Phone (800) 798-7481
Fax (952) 882-4703
www.TrudeauDistributing.com

UNFI
313 Iron Horse Way
Providence, Rhode Island 02908
Phone (401) 528-8634
www.unfi.com

World Pure Foods
6470 Miller Road
Dearborn, Michigan 48126
Phone (313) 846-1701
Fax (313) 846-1703
www.WorldPureFoods.com

APPENDIX IV: AFRICAN GROCERY STORES IN U.S.

Company	Address	City	Phone No.
3Js African Food Mart	1400 Asbury Avenue	Asbury Park, New Jersey.	1-732-807-4750
Aboasa International Market	221 S. Green Bay Road	Waukegan, IL.	1-847-596-2032, 1-888-205-4868 1-301-317-4440
Accra International Foods I Accra Market Adom Ara African Market And Distributors	0051 North 2nd Street #12 487 Burnside Ave.E 5358 OLD WINTER GARDEN RD #C	Laurel, MD. Hartford, CT. Orlando, FL.	
Afipa African Market and Distributors African Food Club	5358 Old Winter Garden Rd. 1690 Highway 36 West, P.O. Box 65830	Orlando, FL. St. Paul, Minnesota.	1-800-422-0779
African Food Market	5736 Lakeland Ave. N	Minneapolis, Crystal.	1-763 560 2263
African Food Services	38V Fernwood Drive	Bolingbrook, IL.	1-630 771 9636
African Food Store	11332 Fondren Road	Houston, TX.	713-728-8308
African Food Store	9501B Taylorsville Rd.	Jefferson Town, KY.	1-502-266-0096
African Hut	27601 Forbes Road, #20	Laguna Niguel, CA	1-888-323-3889
African Market	Bronx Terminal Mkt. Store #48A	New York, NY.	718-1665-6524
African Mini Grocery Store	1109 7Th. Street NW	Rochester, MN.	1-507-358-3892
African Palms	1104 East Beltline Road #106	Carrollton, TX.	1-214-483-5552 / 1-972-854-2323
African Village Market	10217 Club Creek	Houston, TX.	713-541-1060
AfricanFoodOnline.com	8394-K Terminal Road	Newington, VA.	1-703 339 7833
Africanfoodwholesale.com	6220 North 43rd Avenue	Glendale, Arizona.	623-934-3055
AfricanVendors.Com Inc.	900 Hamilton Street	Somerset, NJ.	732-993-9300
Afrikan Food	13313 Fondren Rd.	Houston, TX.	713-721-4047
Afrimart Online		San Pablo, CA.	1-510-776-1916
Akka Caribbean Mkt	1061 E Holt Ave.	Pomona, CA.	909-629-6407
Akunna African Grocery	105 Telephone Rd	Houston, TX.	713-991-4499
Albino Fruit Market	92 Belmont St.	Worcester, MA.	508-753-9280
All Tropical Foods	2115 Bissonnet Road	Houston, TX.	281-564-4300
Anu's Store Co	231 East 79th Street,	Chicago, IL.	
Art's Jamaican Market	4042 Broadway	Piedmont, CA.	510-652-2168
Asafo Corporation	735 Philadelphia Ave.	Westmont, IL.	1-630 327 2274
Ash Town Store	4560 N Broadway St	Chicago, IL.	1-773 293 1252
Atlanta Lucky Inc.	5075 Pinetree	St. Forest Park, GA.	1-404-784-8938
Austin International Market	502 Pampa Drive	Austin, TX.	512-453-5487
Beltsville International Foods Wholesale	10207 Southard Drive	Beltsville, Maryland.	1-301-595-2762
Ben & Chris African Market	5532 N 43rd Ave.	Glendale, AZ.	1-602-915-1045
Black Star African Market	7400 Janes Avenue	Woodridge, IL.	1-630 271 9963
Caribbean Market	2006 S. Ridgewood Ave.	South Daytona, Florida.	1-386-761-1315
CaribbeanDelights	4806 Browns Boro Center	Louisville, KY.	800-490-9318
Cayce Foods Inc.	1687 Roswell Road	Roswell, GA.	1-770-432-6967
Chika International Food Market	6350 S. Cass	Westmont, IL.	630-435-0899
Dahora Market	722 S. Barrington Road	Streamwood, Illinois.	
Eko Market	11936 D Bellaire	Houston, TX.	281-498-2742
Eniola International Stores	4808 Montana Ave, El Paso	El Paso, TX.	1-915-834-9812
Enjels African Food Store	5855 S. Gessner @ Harwin	Houston, TX.	713-789-1323
Ets Legrand	5778 2nd Street, N.E.	Washington, D.C. 20011.	1-202-636-8290
FLO Tropical Foods Inc.	1652 Sibley Blvd.	Calumet City, Illinois.	1-708-730-1070
Fountains Food	19 King Court	New Castle, DE.	1-302 690 4881
Gideon 300 Store	6006 S. Western	Oklahoma City, OK.	405-632-0770
Global Foods Market	421 N. Kirkwood Rd.	Kirkwood, MO.	314-835-1112

APPENDIX IV: AFRICAN GROCERY STORES IN U.S.

Company	Address	City	Phone No.
Golden Country	2355 S. Blue Island Avenue	Chicago, IL.	773-847-1700
Heritage Distributors Int.	78 Empire Street	Newark, NJ.	1-973-622-4408
J&B African Market	10327 3rd Ave	S Seattle, WA.	206-915-5178
Jay Int. Food Co.	3172 S. Grand Ave.	St. Louis, MO.	314-772-2552
Kerozac International	59 Ross Avenue	Hackensack, NJ.	1-201-996-1145
Kingsody Inter-Continental	1225 River Street, Hyde Park	Boston, MA.	1-774-221-2023
Kumasi Grocery	199 Belmont St.	Worcester, MA.	
Lagos African Market	1317 E Lake Street	Minneapolis, MN.	1-612-721-2035
Makola African Market Imports	375 Lyons Ave.	Newark, NJ.	973-926-3919
Makola African Super Market	1017 West Wilson	Chicago, IL.	1-773 935 6990
Miles African Caribbean Food Store	8211 Geyer Springs Rd, Suite P2	Little Rock, Arkansas.	501-562-7211, 501-590-1534
Mombuk Enterprises	6431 Pouter Dr	Houston, TX.	281-568-2594
Moses International Market	6703 Woodland Ave.	Philadelphia, PA.	1-217-727-0444
New Era African Store	11312 L B J Freeway, Suite 200	Dallas, TX.	1-214 341 3232
New Happy Food Market	5477 Riverdale Rd	College Park, GA.	1-770-991-2517
North Hill African Market	212 E Cuyahoga Falls Ave	Akron, OH.	1-330-374-1168
Novelty Grocery 2	0 W. Streamwood Blvd	Streamwood, IL.	1-630-372-7704
Obeng International Grocery		Hyattsville, MD.	
Oja Village International Market	3114 summit ave	Greensboro, NC.	336 358 8260
Old World Market	5129 N. Broadway	Chicago, IL.	1-773-989-4440
Osa Adolor African Market	774 Lenox Road	Brooklyn, NY.	718-363-2148
Pacific Island Int. Market	2610 Breezy Point	O'Fallon, Missouri.	877-274-2639
Payless African Food Store 9301	Bissonnet, Suite 170	Houston, TX.	713-642-1015
Quality African Food Store	9725 Bissonnet, Suite D-3	Houston, TX.	713-270-8777
Quality African Foods, Inc.	73-75 Joseph St.	Newark, NJ.	973-522-1552
Raymond-Hadley Corp.	89 Tompkins St.	Spencer, NY.	800-252-5220
Red Apple Farmers Market	7645 New Hampshire Ave.	Langley Park, MD.	301-434-1801
Riteprice African Food Market	2227 West Schaumburg Road	Schaumburg, Illinois.	1-847-352-4951
Sam Product Marketing	5772 2nd Street NE	Washington, DC.	1-202-248-2856
Sands African Imports, Ltd	923 Frelinghuysen Ave.	Newark, NJ.	973-824-5500
Sankofa Int. Market, Inc.	3209 Yanceyville Street	Greensboro, NC.	336-375-4111
Savannah Tropical Market Suite 7 -	310 East Montgomery Cross Roads	Savannah, GA.	1-912-349-1437
Sawaneh Imports	5459 Old National Hwy -OR- 2050		
	Southampton Rd Ste 1	College Park, GA.	1-404-559-7831
Sesi's African Grocery	17545 S Kedzie Ave	Hazel Crest, IL.	1-708 206 0334
Solotish LLC dba Cayce			
Foods International	4910 B Memorial Drive	Stone mountain, GA.	1-404-298-8879
Spicy World of USA, Inc.	10421 Southwest Plaza Drive	Houston, TX.	1-713-661-2972
Tedkem African/Caribbean Groceries	14619 Beechnut, Suite A	Houston, TX.	281-988-6639
The African Market	960 US Highway 9 South	Sayreville, NJ.	732-525-0100
Third World Grocers	12307 Nebraska Ave.	Tampa, FL.	813-910-3318
Top Choice African Market	6220 North 43rd Avenue	Glendale, Arizona.	623-934-3055
Tropical Food Market, Inc	7001 Fair Oaks @ Park Lane	Dallas, TX.	214-696-2990
Tropical Foods	2101 Washington St.	Roxbury, MA.	617-442-7439
Unity Food Import	8462 South Commercial Ave.,	Chicago, IL.	773-375-0800
West African Grocery	524 Ninth Avenue	New York, NY.	212-695-6215
Yardiestyle Grocery	1870 Barker Cypress Rd.	Houston, TX.	1-281-578-8515
Zamaani	2111 Holy Hall St.	Houston, TX.	713-790-0012

APPENDIX IV: AFRICAN GROCERY STORES IN U.S.

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APPENDIX V: REFERENCES

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ANNEX 5: SELECTED CASES AND BEST PRACTICES

The following cases illustrate successful approaches and best practices in the specialty foods, textiles and apparel, and home decor and fashion industries. They are intended to raise awareness and increase understanding of the required actions in the Rwanda AGOA Strategy Action Plan. They are presented for the benefit of MINICOM personnel as well as other current and future trade promotion staff supporting companies in their export business pursuits.

God's Time Foods: An Example of Good Practices by an African Exporter to the United States

Background

God's Time Foods (God's Time), a Cameroonian company based in Douala, is dedicated to a variety of food exports from frozen fruits and vegetables to edible oils. Founded in the midst of a rapid expansion in the specialty food markets in the U.S. around 2007, God's Time has successfully shipped several products to the U.S. through its main importer, JKUB International Foods (JKUB). Based in Washington, D.C., JKUB has grown together with God's Time, penetrating a variety of retail stores and outlets. Two of God's Time's products (roasted peanuts and dry okazi leaves) are currently sold on U.S. mainstream supermarket shelves, a considerable market access accomplishment for this partnership.

The Power of Partnering with a Reliable U.S. Importer

JKUB International Foods is a successful business operator that imports and distributes cassava, vegetables, palm oil and other products from West Africa to the U.S. In the past twelve months, the company imported fifteen consignments from God's Time alone, primarily of sago flour and meal, bread, pastries and cakes, and shelled peanuts. Its partnership with God's Time has been strengthened by a wider variety of products sourced from Cameroon and a dynamic feedback loop on what consumers like and continue to demand. In October 2015 alone, God's Time shipped three consignments to JKUB, representing 45 MT of products and over \$60,000 in wholesale value. In these consignments the main products were frozen cassava leaves, eru or okazi (*Gnetum africanum*) leaves, frozen cassava paste, fresh bitter leaves, bottled Cameroonian soft



drinks and dried West African prune. God's Time has been resourceful for JKUB in providing traditional West African foods such as fufu and chocolate, but has also been innovative in shipping less traditional foods such as the ingredients to make bekombofone cake, a roasted corn and peanut specialty eaten for regular meals as well as for snacks. Products are packaged in retail-ready bags according to buyers' specifications.

ANNEX 4: INVESTMENT PROFILES BY SECTOR

All opportunities identified below will require future feasibility studies.

A. Textiles & Apparel

CODE: 1	SECTOR: Textiles & Apparel	
DESCRIPTION	Self-standing spinning and weaving plant	
PRODUCT LINES	Yarn and fabrics in cotton and synthetic blends	
TARGET MARKET	Supply domestic producers and clothing exporters in Rwanda and EAC	
ESTIMATED PRODUCTION	Spinning: 2,000 MT/month Weaving: 2 million yards of fabrics/month	
POTENTIAL EXPORTS	To be determined with industry	
NUMBER OF JOBS	To be determined with industry	
EQUIPMENT AND TECHNOLOGY REQUIRED	MACHINERY	Number of machines
	SPINNING MILL	
	Trutzschler Blowroom line for cotton	1 line
	Trutzschler Blowroom line for Polyester	1 line
	Trutzschler DK-903 cards	20
	Rieter RSB-D30 draw frames (with autoleveller)	6
	Rieter double delivery drawframe	10
	Rieter unilap	2
	Rieter E62 combers	10
	Howa speed frames with overhead blower	7
	Ring frames with auto doffer	25
	Winding machines (26 drums per machine)	25
	Roving transport (manual)	1
	Fire system	1
	Accessories	
		USD cost per machine
		Pending
		USD total Cost
		Pending



Circular knitting machines	12	Pending	
Accessories and others			
TOTAL KNITTING MILL (Minimum size)			

RAW MATERIALS	Cotton yarn and synthetics
SUGGESTED INVESTORS	Netherlands, USA
COMMENTS	Location EPZ
LOCAL PARTNER SUGGESTED	Explore with PSF groups or RDB

CODE: 3	SECTOR: Textiles & Apparel
DESCRIPTION	Garments plant
PRODUCT LINES	Garments of cotton and blended fabrics
TARGET MARKET	U.S.
ESTIMATED PRODUCTION	TBD
POTENTIAL EXPORTS	To be determined with industry
NUMBER OF JOBS	To be determined with industry
EQUIPMENT AND TECHNOLOGY REQUIRED	Computerized cutting, 300–400 sewing machines, pressing and knitting machines
SIZE OF INVESTMENT	\$2–\$3 million
RAW MATERIALS	Chief value cotton and chief value synthetics
SUGGESTED INVESTORS	China, Africa, Bangladesh
COMMENTS	Location EPZ, Rwanda needs many investors in garment plants
LOCAL PARTNER SUGGESTED	If no local partner is available, it could be direct foreign investment

B. Home Decor & Fashion – Initial Phase

CODE: 4	SECTOR: Home Decor & Fashion
DESCRIPTION	Self-standing fiber dying facility
PRODUCT LINES	Sisal fiber dye lots
TARGET MARKET	Rwanda, EAC
ESTIMATED PRODUCTION	Dying facility 3000 lbs. per month Raw Materials for 6,000 baskets per month
POTENTIAL EXPORTS	To be determined with industry
NUMBER OF JOBS	To be determined with industry

EQUIPMENT AND TECHNOLOGY REQUIRED	Laboratory set up: computer, scales, spectra reader Dye house: Vat dye Dry tumblers
SIZE OF INVESTMENT	To be determined with industry
RAW MATERIALS	Sisal, natural fiber blends
SUGGESTED INVESTORS	U.S., Kenya, India
COMMENTS	EPZ Zone SMEs require the raw materials
LOCAL PARTNER SUGGESTED	Explore with PSF groups and RDB

CODE: 5	SECTOR: Home Decor & Fashion
DESCRIPTION	Hand flat knitting facility
PRODUCT LINES	Sweater knitted 5gg to 12 gg hand flat machines
TARGET MARKET	Rwanda, EAC, USA
ESTIMATED PRODUCTION	12,000–15,000 finished units per month
POTENTIAL EXPORTS	To be determined with industry
NUMBER OF JOBS	To be determined with industry
EQUIPMENT AND TECHNOLOGY REQUIRED	150 knitting machines, winding machines, pressing and finishing equipment
SIZE OF INVESTMENT	To be determined with industry
RAW MATERIALS	Cotton yarn and synthetics
SUGGESTED INVESTORS	USA, China, South Africa
COMMENTS	High fashion and quality sweaters
LOCAL PARTNER SUGGESTED	Explore with PSF groups and RDB

CODE: 6	SECTOR: Home Decor & Fashion
DESCRIPTION	Jewelry beading and soldering workshop
PRODUCT LINES	Jewelry items, decorative accessories, artificial glass, gold plate brass and nickel
TARGET MARKET	U.S., EAC
ESTIMATED PRODUCTION	8,000 units per month

POTENTIAL EXPORTS	To be determined with industry
NUMBER OF JOBS	To be determined with industry
EQUIPMENT AND TECHNOLOGY REQUIRED	Laser metal cutting machine, hand soldering machines, ceramic bead kiln, wooden lathe
SIZE OF INVESTMENT	To be determined with industry
RAW MATERIALS	Ceramic, wood, glass, metals
SUGGESTED INVESTORS	Rwanda, USA
COMMENTS	EPZ Zone Growth market Skills in metal work available. Need to improve delivery time.
LOCAL PARTNERS SUGGESTED	Explore with PSF and RDB

CODE: 7	SECTOR: Home Decor & Fashion
DESCRIPTION	Pilot fashion incubator plant
PRODUCT LINES	Small fashion apparel runs, technical and creative design support
TARGET MARKET	EAC, USA
ESTIMATED PRODUCTION	Small runs, 1,000–1,500 units per month
POTENTIAL EXPORTS	To be determined with industry
NUMBER OF JOBS	To be determined with industry
EQUIPMENT AND TECHNOLOGY REQUIRED	CAD software Gerber system, sewing cutting and finishing unit
SIZE OF INVESTMENT	To be determined with industry
RAW MATERIALS	Natural fiber or synthetics
SUGGESTED INVESTORS	Rwanda, USA
COMMENTS	EPZ Zone R&D one-stop shop for designers and small production runs that could be integrated with the Innovation, Design and Packaging Hub proposed in action 140 of the action plan Potential donors in the fashion industry
LOCAL PARTNER SUGGESTED	Explore with PSF and RDB

C. Specialty Foods

CODE: 8	SECTOR: Specialty Foods
DESCRIPTION	Tropical concentrated juice
PRODUCT LINES	Concentrated juice in bulk (pineapple, passion fruit, mango, orange)
TARGET MARKET	EAC, USA, Europe, Middle East
ESTIMATED PRODUCTION	5 tons/day to 150 tons/day depending availability of raw material
POTENTIAL EXPORTS	To be determined with industry
NUMBER OF JOBS	To be determined with industry
EQUIPMENT AND TECHNOLOGY REQUIRED	Concentration of juice, evaporator and filling system
SIZE OF INVESTMENT	To be determined with industry
RAW MATERIALS	Pineapple, passion fruit
SUGGESTED INVESTORS	Rwanda
COMMENTS	Industrial juice
LOCAL PARTNER SUGGESTED	Inyangue or Urwibutso. Both groups may only need the concentration and filling in bulk

CODE: 9	SECTOR: Specialty Foods
DESCRIPTION	Freeze-drying or spray-tech coffee plant
PRODUCT LINES	Instant coffee via spray- or freeze-drying technologies
TARGET MARKET	USA, EAC, Middle East
ESTIMATED PRODUCTION	Instant coffee capacity of 0.5 tons/hour to 1.5 tons/hour
POTENTIAL EXPORTS	To be determined with industry
NUMBER OF JOBS	To be determined with industry
EQUIPMENT AND TECHNOLOGY REQUIRED	Equipment for foaming, freezing, granulation, sieving, sublimation inside the belt dryer, ice condensation, heating system, high-vacuum technology, packaging and labeling.
SIZE OF INVESTMENT	To be determined with industry
RAW MATERIALS	Green coffee, roasted, toasted
SUGGESTED INVESTORS	USA, Germany
COMMENTS	Use of freeze dryer retains aroma, improves appearance and taste of instant coffee
LOCAL PARTNER SUGGESTED	Explore with PSF and RDB

CODE: 10	SECTOR: Specialty Foods
DESCRIPTION	Honey filling stations
PRODUCT LINES	Honey packaged for retail
TARGET MARKET	USA, Europe
ESTIMATED PRODUCTION	60 tons/year but can improve
POTENTIAL EXPORTS	To be determined with industry
NUMBER OF JOBS	To be determined with industry
EQUIPMENT AND TECHNOLOGY REQUIRED	Need a new filling station plus several tanks
SIZE OF INVESTMENT	To be determined with industry
RAW MATERIALS	Honey and new packaging/labeling
SUGGESTED INVESTORS	USA, Germany
COMMENTS	Working capital is limited for local producers. Most are small.
LOCAL PARTNE SUGGESTED	ABDC and others that can guarantee consistent quality

CODE: 11	SECTOR: Specialty Foods
DESCRIPTION	Macadamia nuts or dried fruits dryer & packing
PRODUCT LINES	Macadamia nuts packaged for retail Dried tropical fruits in bulk or packaged for retail
TARGET MARKET	USA, Europe
ESTIMATED PRODUCTION	Average 100 kg/hour depending of available nuts or fruits
POTENTIAL EXPORTS	To be determined with industry
NUMBER OF JOBS	To be determined with industry
EQUIPMENT AND TECHNOLOGY REQUIRED	Dryer and packing machines
SIZE OF INVESTMENT	To be determined with industry
RAW MATERIALS	Macadamia, pineapple, mango, banana
SUGGESTED INVESTORS	USA
COMMENTS	Rwanda Nut Co. exports macadamia shelled to USA. Dried fruits is a growing market.

	All require adoption good manufacturing practices.
LOCAL PARTNER SUGGESTED	Norelga and Rwanda Nut Co. (macadamia), Shekina (dried fruits)
CODE: 12	SECTOR: Specialty Foods
DESCRIPTION	Plant for packaged and bottled hot sauces for retail
PRODUCT LINES	Packaged hot sauces
TARGET MARKET	Rwanda, EAC, USA, Europe
ESTIMATED PRODUCTION	8–20 tons per month, depending on package presentation
POTENTIAL EXPORTS	To be determined with industry
NUMBER OF JOBS	To be determined with industry
EQUIPMENT AND TECHNOLOGY REQUIRED	Cooker, plate cooler, filler and packaging machine
SIZE OF INVESTMENT	To be determined with industry
RAW MATERIALS	Hot peppers (scotch bonnet and habanero), chili and others
SUGGESTED INVESTORS	Rwanda, USA, Europe
COMMENTS	New plants with HACCP, ISO and GMP
LOCAL PARTNER SUGGESTED	Explore RDB and PSF

Addressing Grades and Standards Effectively

Understanding and applying grades and standards is the duty of both importer and exporter. They are both standing behind the same product as they know import rejections will lead to losses in sales revenue and time. The worst consequence of import rejections is lost income and opportunities as retailers expect suppliers to meet delivery time; therefore, compliance with standards is taken seriously by both companies. With guidance from JKUB and through its own experience, God's Time has succeeded in meeting FDA requirements flawlessly since its entry into the U.S. market. These standards range from compliance with facility registration under the Bioterrorism Act to investing, adopting and monitoring the application of good manufacturing practices (GMPs) in every product line. Shipping food products free of physical, microbial and chemical contaminants is God's Time's daily commitment, from sourcing of raw materials to packaging and shipping.

Aflatoxins are among the main potential threats to food safety in corn- and peanut-based products. God's Time is aware that these items have to be produced, packaged and shipped under strict sanitary standards to avoid the presence of this human carcinogen. Observance of pesticide maximum residue limits (MRLs) is also a priority related to peanuts as the FDA constantly monitors for presence of the pesticide Aldrin above the .05 ppm (parts per million) limit. It is a lot of work, but God's Time's commitment to meeting grades and standards of quality and safety has paid off as there are no FDA import detentions on record associated with this company's products.

While quality and safety are paramount to a successful food export operation, many food companies from around the world suffer from repeated export rejections for failure to understand and apply U.S. food labeling standards. A number of details are specified in these regulations, ranging from weights and measures, full ingredient descriptions and use of main label panels to descriptions in English. Failure to report one ingredient, even salt, can become a reason for rejection. Other labeling areas deal with minimum product traceability information, manufacturing and sell-by dates. As a result, the food manufacturer must provide a lot number and a sell-by date on each retail unit (bag, box, etc.). The lot number permits the tracing of any defective product back to its source, and the sell-by date is a guide for retailers and consumers to the length of time the product can be kept on the shelf.

The regulations on labeling can be complex for a first-time exporter to the U.S. They can be found at <http://www.fda.gov/Food/GuidanceRegulation/GuidanceDocumentsRegulatoryInformation/LabelingNutrition/ucm2006828.htm>.

There are also standards that regulate how a consignment's paperwork has to be filed. When preparing a shipment, the exporter must provide a commercial invoice that meets U.S. criteria. Instructions and a commercial invoice form can be found at <http://commercialinvoiceform.org/howto.html>. To be entered through customs free of duty, it also needs a certificate of origin for either the Generalized System of Preferences or AGOA.

Some Lessons Learned for Rwandan Future Exporters to the U.S.

Rwanda's food exports to the U.S. market are in their infancy. Preparing companies for that market with specific case studies such as that of God's Time can illustrate how things can go right or wrong. God's Time is featured as a successful case study due to its steady performance, in partnership with its importer, and, while the growth strategy may not sound sophisticated, it relies on a strong pillar of best practices summarized as follows:

- Identifying products that serve a niche market in the U.S.
- Consolidating a product mix in each large consignment to reduce freight costs.
- Experimenting to be sure the product's form and packaging size, among other features, are acceptable to the target market.

- Maintaining high standards and observing all regulations while producing for the U.S. market and shipping to that country.
- Establishing an effective feedback loop with its importing partner in the U.S.

Sources

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Coffee from Colombia: Juan Valdez, Educating Consumers for Over 50 Years

Background

Colombia is the third largest coffee-producing country in the world. In numbers, this means over 560,000 employed in the coffee industry, about 11.5 million 60-kg bags per year, and the largest producer of Arabica coffee, with a total export value of \$21 billion in 2015 alone. The main buyers are the USA, Japan and Germany, but there are many other product destinations in established and emerging coffee markets. The name “Colombia” is now associated with quality coffee thanks to a decades-long campaign to advertise this country’s commitment to the best quality product. The European Union has granted Colombia Protected Designation of Origin status, and UNESCO has declared the coffee growing region a World Heritage Site. Economic benefits to the coffee growers have come in the form of better prices and more demand, but indirect benefits have also been accrued by this sector. For instance, the coffee region has become a major area for agro-tourism including farm tours, plantation lodgings, a coffee museum, a coffee park and more.

Coffee production started in the 18th Century and grew slowly over the years, fluctuating with international prices and internal violence in the country. The growth became more rapid in the 20th Century, in large part due to the work of the Colombian Coffee Growers Federation (FNC). FNC was founded as a business cooperative and now represents more than half-a-million producers, most of whom are smallholders. Producers are not required to market through the Federation but it is by far the largest and best established marketing channel.

The FNC has a long history of developing strategies to protect, differentiate and market their product. The oldest and undoubtedly the most successful promotion program is Café de Colombia (Coffee from Colombia) and its fictional character Juan Valdez. The famous logo, featuring Juan Valdez and his mule with a Colombian mountain backdrop, has been telling consumers for over 50 years that the origin of coffee matters in the quality of the cup. The logo and commercials were developed by an international advertising agency back in 1958. Back then, the U.S. coffee market was dominated by coffee roasters who would blend coffee beans from various, unspecified origins and prices in order to have the flexibility to maximize profit margins by mixing good coffee from Colombia with cheaper, lower-quality sources. With this practice, public awareness of the origin of coffee and its relationship to quality was low. It simply did not matter to consumers where coffee came from or how it was produced, processed, roasted and handled. As a result, prices for Colombian coffee were also low.



Teaching Consumers About Coffee

Since the 1960s, the portrait of Juan Valdez has been more than a hat, sash, mountains and mule. These elements combined have become the most effective teaching tool that coffee quality is linked to soil, altitude, varieties and savvy farmers' hands harvesting and processing Colombian coffee. Origin appellation in coffees truly started here and it was long known to FNC and the coffee industry in general that not all coffees were created equal. Before Juan Valdez, however, the U.S. coffee roasters, wholesalers and distributors didn't feel the need to pass this information down to consumers. There was simply no incentive in the industry to turn a large-volume commodity into a higher quality, distinguishable product that could fetch higher prices for all actors along the supply chain.

In light of the inaction from large importers, roasters and wholesalers, FNC realized that better prices for farmers could be achieved only if consumers knew what constituted good quality coffee and where it came from. The solution was to go directly to consumers to specifically establish that Café de Colombia was of better quality and the good retail brands should carry it without blending it with inferior quality sources. Through an aggressive campaign, Juan Valdez, next to his faithful mule, appeared painstakingly selecting and hand-picking the ripest coffee cherries. Consumers began to respond to the message that Colombian coffee beans are grown and harvested with great care, with little help from machines and in ideal climatic conditions with plenty of rain, sun and fertile volcanic soil. Consumers were constantly reminded of this message through TV commercials and full-page magazine ads with one simple logo. The Juan Valdez logo has been a registered trademark since the early 1980s, authorized for use on consumer packaging containing 100% Café de Colombia. This is known as a trademark-based ingredient branding strategy, much like the use of the Intel Inside logo on computers today.


The Complexities of Managing a Successful Branding in the U.S. Market

The risk of losing brand prestige after decades of hard work is always present. Strong governance structures and policies are necessary for FNC to protect and continue building the brand on both supply and demand ends. Some of the challenges on the demand side range from labeling issues to controlling unauthorized use of the logo. On the supply side, getting hundreds of thousands of coffee farmers to align to one standard of quality has represented a titanic task. These challenges and the solutions generated by FNC are explained below.

Dealing with roasters and distributors with equally strong brands is not easy. Issues arose in the 1980s on deciding which brand was more important, the distributor's brand name or Café de Colombia, and where each should be located on the main label panel for maximum exposure on retail shelves. This represented challenges that touched on business cultures and brand protection preferences. At some point, a number of coffee roasters and marketers proved unwilling to fulfill the conditions of the trademark license agreement that would allow them to use the Juan Valdez ingredient brand alongside their own product brand. Therefore, a complementary strategy was devised to capture this market segment by registering the word "Colombian", in relation to coffee, as a certification mark in the United States and Canada. This has been working so far.

As per issues on the supply side, the requirement of the FNC for all Colombian coffee is that it needs to be 100% washed Arabica. In order to ensure quality, the FNC initiated a large farmers' training program that continues every year. About 1,500 coffee specialists and technicians, distinctively dressed in yellow shirts, regularly visit, train and update Colombian coffee growers on various issues from quality assurance to the latest coffee growing and processing techniques. Every retail outlet selling Café de Colombia can be sure that FNC is ensuring quality, from the selection of the variety all the way to the roaster.





With the breadth and depth of experience FNC has accumulated over the years, it would be logical to think that their management of the certification marks in North America has been easy. In reality, it has turned into a difficult and expensive process involving lawyers specialized in intellectual property rights, patents and other regulations of the United States Patent and Trademark Office (USPTO). After so much work related to the promotion of the brand “Colombian”, neither trademarks nor certification marks necessarily protected against the use of the words “Colombian blend” or “Colombian type”, and, to protect the Colombian origin, the FNC had to use geographical indications (GIs). Colombia already had in place the same legislations for the protection of GIs and, in December 2004, the FNC presented the Government of Colombia with an application to recognize “Café de Colombia” as a GI. Within three months it was officially ratified.

In 2005, the FNC broke new ground by applying to protect “Café de Colombia” as a protected geographical indication (GI) under the European Union (EU) system. This was the first time this had been done for a product from a country outside the EU following the opening of the EU system for non-European GI products. After some ups and downs along the way, the EU procedure concluded successfully. In the U.S., however, FNC’s strategy continued to be based on trademarks. Its first trademark, Juan Valdez, was registered with the USPTO back in 1960, and the word mark for “100% Colombian Coffee” was registered in 1969. The font of the name Juan Valdez is internationally protected through the Madrid system and registered in many countries including the European countries and the U.S. Other registered trademarks with the USPTO include, among others, “Buendia”, “Variedad Castillo” and “Juan O’Clock.” Many of these, as well as other marks, are registered in European countries.

Using Juan Valdez as a brand name, FNC now operates more than 200 coffee shops in Colombia and about 35 in other countries. This places it in the position of marketing coffee all the way to the final consumer.

What can Rwanda learn from this example?

FNC estimates that the Juan Valdez’s campaign and all its variants have cost over \$600 M over the course of five decades. The return on investment has been high as demand has grown, prices have been differentiated for better quality coffee and the direct and indirect economic benefits accrued to smallholders, middle and large coffee farmers alike, are good. It is now typical that many coffee roasters market their products as Café de Colombia as a result of this effort.

What Rwanda can learn from this example is easy to discuss. Let us first say that emulating this process step by step is practically impossible as Rwanda does not have 550,000 associated coffee growers like FNC. The lessons learned from this experience should rather illustrate the pathway for how one of the best advertising campaigns was able to differentiate a commodity product in the perception of U.S. consumers. The experience also demonstrates that educating the consumer with simple but solid messages about quality can lead to shifts in negotiating power among value chain actors. In addition, it exemplifies that if differentiated quality is recognizable by consumers, that in turn leads to better profit thresholds for all. Finally, this experience speaks directly to the Rwandan coffee sector (which has been building a name for itself) but also to a broader number of industries and Rwandan products with inherent high-quality traits that have much to tell the consumer.

Identifying the factors or characteristics that make that high quality possible and communicating them may need the talent of ingenious marketers, but the work does not end there. We can learn from this example that much work follows in order to stand behind the brand and enforce its adoption uniformly from the field or factory to the shelves.

In the case of Colombia, much needs to be said about providing policy conditions and the long-term support to an institution like FNC. The structure of FNC that has enabled it to work for over 50 years in this country—famous for conflict and economic instability—is a true case study on its own. It is imperative for Rwanda to learn from this experience, particularly on what the role of the government has to be to ensure the continuity of such organizations throughout the years.

An institution that could mirror FNC in Rwanda could help many sectors in modern times to adapt to changing market conditions. FNC's Coffee Fund is a good example. The Fund guarantees minimum coffee prices for all farmers so that they have a safety net when world prices fall below desirable levels. Outside of business-specific activities, organizations such as FNC can help the sector cope with modern challenges. Environmental protection and climate adaptation are just two such examples. In these cases, FNC is already helping its members improve their coffee growing and processing technology and to protect the environment through soil conservation, use of organic fertilizers and pesticides, and reforestation. Also, in partnership with donors and the Government of Colombia, FNC manages development projects in the coffee region, improving education, healthcare, access to electricity, telephone services, access to water and sanitation, and transportation.

Finally, a program consistently communicating to consumers that quality is truthfully packaged in every retail unit is poised to succeed. The message is simple, but the work behind the logo is arduous and complex. Juan Valdez has been telling U.S. consumers for over 50 years that soil, climate, altitude and cultural practices in Colombia result in the very best coffee, and everyone in the supply chain stands behind that message.

Challenging Market Assumptions as a Growing Strategy

FNC is a powerful example of how unfavorable market conditions set by the lack of incentives at the retail level to inform consumers about quality led to poor prices for a perfectly differentiated product. The need to challenge those market assumptions through innovative consumer awareness raising and branding has led to many benefits accrued by everyone in the Colombian coffee value chain. Things did not happen quickly, but efforts have provided the pathway for additional cycles of innovation. In recent years, the FNC has assisted farmers to develop more specialty, organic, and Fair Trade coffee, as those are areas where their product can continue to expand market share. The FNC now offers export green coffee, roasted coffee, and various types of exports of instant coffee, including freeze dried. Its best practices can be summarized as follows:

- Organizing the industry so there are not many companies competing against each other on a price basis but instead collaborating to increase the quality profile and prices of the national coffee supply.
- Adopting a long-term investment strategy to establish and stand behind a brand and logo in the most important target markets.
- Creating a national brand for coffee that has positive impacts on other national industries such as tourism and other food products.
- Combining efforts with the public sector to improve the quality of life of the smallholder while at the same time building a sustainable coffee industry.

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Ghana Apparel Factory, Expanding and Adding Jobs

Background

This case shows how the private sector, together with the assistance of government and the USAID Trade Hub, can support the expansion of apparel exports under AGOA.

In October 2014, the year-old Dignity/DTRT (Do The Right Thing) Apparel—a Ghanaian-American joint venture—had nearly 600 machines and a more than 1,000, mostly-female workforce. Orders were on the rise, including from one of the largest U.S. clothing wholesalers. From its base in Ghana's Adjabeng garment enclave, Dignity/DTRT can ship duty- and quota-free to American buyers under the U.S. African Growth and Opportunity Act (AGOA), making its products cost-competitive.

However, the company needed to double its monthly production to meet its buyers' demand from 80,000 to 160,000 units. To accomplish this, it needed to enhance its workers' skills so they could increase productivity without reducing quality. Its application for funds from Ghana's Council for Technical and Vocational Education and Training (COTVET) was met with repeated requests for more information, as most applicants are not as large or growing as fast.

"The training grant funds are just the beginning of our business expansion plans that will help us create more jobs as we recruit more women to produce apparel for the international market."

Salma Salifu, managing director, Dignity/DTRT

USAID's West Africa Trade Hub worked with various Ghanaian government agencies to impart knowledge of how international garment manufacturers train and expand operations by citing examples of similar cases in other African countries. The Hub trained Ghana Customs and Dignity staff on export documentation and the procedures involved in the country's textile visa, so they could take full advantage of AGOA's benefits. Trade Hub experts also advised the Ministry of Trade and Industry on the apparel component of Ghana's National Export strategy, which became official in February 2015.

Since the Trade Hub's involvement, Dignity/DTRT has exported over one million units of apparel (polo shirts, T-shirts and sportswear) under AGOA. In March 2015, the company received the first tranche of its training grant from COTVET, allowing it to reach its goal of 2.5 million units in 2015 and keeping it on track to add 1,000 more jobs by December 2015.

Take-home message for Rwanda

Rwanda's apparel sector is facing a number of challenges to growth. AGOA offers a window of opportunity to meet U.S. market demand under favorable duty-free conditions. Overcoming challenges and pursuing opportunities takes strong leadership and hard work. Rwanda can learn from other examples in Africa, with Ghana being no exception. The words of Salma Salifu, Dignity/DTRT's managing director, summarize the take-home message for Rwanda: "Our dream of producing internationally accepted, quality apparel for the global market meant we needed to upgrade worker skills, which has been greatly assisted by this training grant from COTVET. This will surely help our company take advantage of AGOA."

Source

<https://www.watradehub.com>

The ADC/Kate Spade Model

Background

The “On Purpose” label is Kate Spade & Company’s trade initiative in Rwanda, through which the company empowers women. ADC, the manufacturing company Kate Spade and Company helped established, is employee-owned and operated, with 99% of a 150 people workforce being women between the ages of 18–60. Long perceived as communities’ primary agents of change in Rwanda, women are given access to this company’s high-end stores in a collaboration fashion that breaks from traditional charitable models of a per product donation. ADC is designed to be a profitable supplier under the brands Kate Spade New York, Jack Spade, and Kate Spade Saturday. The business model for “On Purpose” focuses on full integration of the small for-profit, artisanal operation as a supplier. The for-profit status means its position is not that of an aid beneficiary but of an independent manufacturing partner, which is held to the same standards and requirements as other suppliers. A full integration guarantees the Kate Spade & Company’s commitment to empowering artisanal women through full time employment with competitive salaries and benefits beyond short periods of time.

Training for Long-Term Success

Excellent product quality is critical for ADC’s long-term success and competitive advantage. Equally important is supporting and empowering this business to build its capacity and infrastructure. This means helping ADC with logistics, packaging and the import/export policies to ensure both the raw materials and finished goods meet global standards Kate Spade & Company expects from suppliers all over the world.

Kate Spade & Company leveraged in-house technical experts to create effective training programs to help support ADC’s business functions. Kate Spade & Company employees in warehouse, logistics and compliance departments worked directly with ADC’s artisans and management team to train, execute and compile policies to facilitate smooth import and export processes.

From a logistics perspective, a strong relationship was established with the local DHL and Regional African DAMCO offices. This enabled artisans to fully participate in the sample-making process (an important step in the retail product development cycle) and to receive raw materials on time and in good condition. These business relationships have been critical to ADC’s success thus far and will be instrumental in positioning the company for long-term sustainability as an export business.

Finally, Kate Spade & Company has facilitated training (both in-person and virtually) on how to properly package, tag, and label all products to be received at their warehouses in the United States, United Kingdom and Hong Kong. This step ensures that “On Purpose” products arrive at the shop ready to go directly to the sales floor. Kate Spade & Company’s internal teams continue their hands-on work with the Rwandan team to continue enhancing packaging abilities and meeting top-quality packaging standards.

On purpose’s model has shown that it is possible to bring an artisanal supplier into the global marketplace as a high-performance manufacturer. Additionally, integral to this work is advocating for local and international policies that give advantages to these small, artisanal suppliers. Overall, this experience illustrates that switching the relationships between companies and small or artisanal suppliers from aid-based charitable models to full supply chain integration requires a commitment to hands-on training.

Source

Rwanda National AGOA Strategy- Draft, July 2015.



Sole Rebels Handcraft Eco Shoes

Background

An innovative footwear manufacturer that pays fair wages and uses locally-sourced materials is helping to transform the economic landscape in Ethiopia. soleRebels, which was founded by Dr. Bethlehem Tilahun Alemu in 2004, has become Africa's largest footwear brand. Its range of artisan-made shoes is now selling in 55 countries. In 2011, the company ramped up US\$2 million in sales and it is expecting to generate over US\$15–20 million in revenue by 2015.

Alemu explained how she set up the company in a small village on the outskirts of Addis Ababa: "Having grown up watching our family and neighbors struggling, we decided to create the 'better life' we were all waiting for by harnessing our community's incredible artisan skills and channeling them into a sustainable, global, fair trade, footwear business."

She continued, "We selected shoes because we saw that footwear was an excellent platform to begin to share many of Ethiopia's indigenous eco-sensible craft heritages and artisan talents with the world. Our approach to footwear creation—hand-crafted and eco-sensible—meant we could source and make almost all of our materials locally, thereby creating an export product from 100 percent local inputs." The soleRebels footwear range includes sandals, flip flops and shoes with soles made from recycled car tires. Alemu explained that the recycled car tire-soled shoe has existed in Ethiopia for a long time.

The company's styles use as much recycled and sustainable material as possible, like hand-loomed organic fabrics and natural fibers. She is proud of the production process, stating that all the company's styles incorporate as much recycled and sustainable materials as possible. Among the key ingredients are handspun and hand-loomed organic cotton fabrics, and natural fibers, including Abyssinian hemp and the koba plant. However, she shuns the term, "green business", stating that she regards it as something of a fad.

"We are embracing these deeply sustainable and traditionally zero-carbon methods of production and materials because they are integral parts of Ethiopia's cultural fabric, a tradition which we grew up within and feel passionate about preserving," revealed Alemu.

Workers' Rights

soleRebels is also setting a high standard for workers' rights, providing 100 % medical coverage for employees and their families and free doctor-run medical checks. The company also provides transport to and from the worksite for workers with disabilities. Alemu insists that workers are treated with respect, noting that, on average, the company's 90 employees get paid four times the legal minimum wage and three times the industry average wage for similar work.

Unlike most companies in the apparel and footwear sector, soleRebels does not use a quota system. Alemu explained, "The quota system of work, endemic in the fashion business always struck us as truly demeaning. It is a system that shows no confidence that workers can be incentivized to achieve targets and it creates a hostile working environment. soleRebels pays all workers based on negotiated wages that are subject to mutually-agreed, company-wide goals. This means that we are all in it together in terms of making sure that deadlines are met and that top-notch product quality is always achieved."

Expansion

In order to meet growing demand, the company is building a new production facility and, when it is finished, Alemu expects the workforce to grow in number to around 300 employees. "Built with indigenous, eco-sensible materials and employing 100 percent renewable and self-generating power, this first-of-its-kind



production facility will serve as a leading innovation center, allowing us to develop the cultural wealth of the country while simultaneously expanding and enhancing our own production capabilities.”

Alemu believes that her company can be emulated by others and help foster inclusive, sustainable development in Ethiopia. She said, “soleRebels is living proof that creating innovative world-class products and trading them with the world is the best road to greater shared prosperity for developing nations like ours.”

Alemu’s Lessons for the Rest of Africa

“Today, Africa accounts for a mere two percent of global trade. If sub-Saharan Africa were to increase that share by only one percent, it would generate additional export revenues each year greater than the total amount of annual assistance that Africa currently receives. We simply need the opportunity to increase our market share, something every good, strong, global business seeks to do.”

Source

Adapted from Making It: Industry for Development, a quarterly magazine published by the United Nations Industrial Development Organization (UNIDO).

Carmina Campus, Ethical Fashion Products in Cameroon

Background

This is the story of how a fashion brand with no experience in development changed the lives of a group of marginalized women in rural Cameroon.

At the July 2009 G8 Summit in Italy, the First Ladies in attendance, including Michelle Obama, were presented with a “message bag”. Co-produced in Cameroon, these unique handbags are made by one of the most innovative ethical fashion accessory labels in Italy, Carmina Campus. With significant sales in Japan, the United States and Europe, the label is steadily growing in popularity and business success. It is also an example of a sustainable global partnership that is yielding results for the creative industries in developing countries.

The founder of Carmina Campus, Ilaria Venturini Fendi (Ms. Fendi), believes the success of her brand is not just a response to a trend. “Ethical business practices are not just a phase in the world of fashion. Other sectors including hospitality, energy, agriculture and food production are also focusing on ethical and sustainable production,” she says.

As the progeny of the prestigious fashion empire Fendi, Ms. Fendi has an impressive business pedigree. Regardless of her business background, she has always had a strong desire to live in harmony with nature. That yearning was fulfilled in 2001 when she left the glamour of the fashion world to become an organic farmer near Rome.

A few years later, Ms. Fendi found herself back on the fashion scene but under her own label and in very different circumstances. In 2006 she launched Carmina Campus and built a company philosophy based on the principles of environmental consideration and social development. Using scraps of discarded fabrics, the label started producing high-quality handcrafted accessories. All components of the marketing, packaging and shipping were geared towards environmental sustainability. In addition to its ecological commitment, the label is dedicated to increasing its social enterprise.



The Cameroon Collection

In Cameroon, Carmina Campus employs a group of rural women who work on one of the label's key collections. Ms. Fendi met these women when she was invited to participate in a project for improving the skills, not of craftswomen, but of beekeepers. Through the project, she visited the small town of Dschang in western Cameroon, where she met a group of marginalized women who were excellent knitters and produced various accessories, including crochet hats.

Ms. Fendi saw an opportunity to apply her vision of creating high-end fashion from recycled materials while providing an income-generating activity for the disadvantaged. She began working with the women, who now produce handbags from the traditionally-knitted headgear combined with embroidered squares made from discarded fabric sourced in Italy. These pieces are later assembled in Italy by expert artisans from the industry. Labelled the Cameroon Collection, the handbags quickly became one of the brand's most popular lines.

The project in Africa continues to evolve. With the support of the International Trade Commission (ITC) Ethical Fashion Initiative, aspects of the project are being restructured, notably to ensure a smoother production line for quality and time-keeping checks—two essential factors in the fashion industry. Following the commercial and social success of the project, Ms. Fendi is also considering a wider involvement in Africa, although she insists on continuing to work closely with the Dschang community.

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International Trade Forum - Issue 3/2009
<http://www.tradeforum.org/Carmina-Campus-in-Cameroon/>

Design Center, Thailand

Background

Thailand has long been known as one of the Asian Tigers, small countries with substantial rates of economic development and increases in exports. However, in recent years, business and government leaders recognized that, to grow further, companies producing for export needed expert help in the areas of product and package design. This was necessary in order to compete with countries such as Japan and South Korea which had active design centers.

In response to this need, in 2004 the Thai Government opened the Thailand Creative and Design Center, or TCDC, a nearly 5,000-square meter facility in a large shopping complex. It houses books and magazines on design, collections of films and videos, a permanent exhibition, a meeting room for 130 persons, a specialized store and a restaurant. The exhibition area contains 300 square meters of permanent collections and 500 square meters for rotating exhibitions. The center shares information on the Internet with colleges and universities, and welcomes visits by student groups.

One of its features is an extensive collection of materials, hard and soft, from which products and packages can be made. This permits designers from around the country to experiment with and to consider a wide variety of materials for their designs without having to pay for a sample of each them.

Established in 2005, the TCDC Resource Center aims to be a place for designers, students, entrepreneurs and enthusiasts of design and creativity to develop and expand their knowledge and skills as well as to help strengthen the capability and competitiveness of Thai designers in a global marketplace.

TCDC Resources Include:

- More than 55,000 books covering various interests in design discipline like art history, interior design, architecture, fashion, textiles, graphic design, photography and film.
- Approximately 210 magazine and journal titles.
- An extensive collection of materials for designers to feel and experiment with.
- Over 5,800 multimedia items: films, documentaries and TCDC's workshops and lectures on iPod and iPad.
- Online databases on fashion industry, marketing and digital media:
 - o Passport GMID (Global Market Information Database), formerly known as Euromonitor Passport, is a marketing tool that contains data for many countries on consumer market sizes, market data & forecasts, consumer lifestyles, companies and brands.
 - o WGSN (World Global Style Network) is the world's leading trend forecaster. The company enables subscribers to make better design decisions by identifying and analyzing the trends that will shape commercially successful products and services in the future. WGSN's inspiration and insight are only available through online subscriptions to a variety of state-of-the-art digital tools and through bespoke consultancy services.
 - o STASH is the online resource of visual effects and animation projects from both professional designers and design enthusiasts around the world.
- A collection of over 7,500 innovative materials from Material ConneXion®, Bangkok.
- Facilities and services, e.g., reading rooms and movie rooms.

The TCDC is open every day, except Monday, from 10:00 a.m. until 9:00 p.m. In addition to its headquarters in Bangkok, it has established 14 smaller design centers throughout the country, all linked electronically. It also has joint projects with other government and not-for-profit organizations such as the Co-create Charoenkrung project, through which members of a community will participate creatively in planning for positive changes in that community. The center's services are free of charge and are normally accessed by manufacturers of all kinds who physically go to them.

Hundreds of Thai companies such as Dutch Mill (dairy), Osotspa (beverages), Chue Chin Hua (cookware) and Ravi's International (apparel) have made good use of the TCDC.

The organization's philosophy is: "Dance with your imagination and change your life".



Why Is This Example Relevant to Rwanda?

This effort has unleashed the design potential of many design enthusiasts of different gender, age, economic status and purpose, but mainly supported the ideas of young Thai entrepreneurs. Accessing the wealth of resources the TCDC has available would be cost-prohibitive for well-established companies and nearly impossible for individuals. Rwanda should consider a similar model where product designers can also let their imagination fly to "change their lives" and their companies prospects in domestic, regional and international markets. The design center system in Thailand consists of a main office and 14 satellite offices

around the country and represents a major investment by the government with a high pay off. Rwanda, and many small countries, in comparison to Thailand, cannot afford the exact same model. Notwithstanding, such a center can be established for a much lower cost. A country can set up a small office, select a few products on which to focus and start asking, via the Internet, for information and samples of packaging that can be used on those kinds of products. The information and samples will be sent by major packaging design firms and manufacturers of packaging materials as a means to expand their business. Consequently, the design center can simply be organized by type of product; for example, information and samples of packaging for tea and coffee in one area, information and samples for apparel in another, and the same for household goods in another. The best practices involved in a center like TCDC can be summarized as:

- Establishing a modern design center and making it convenient for everyone to use. This includes location, a good schedule for attention of public, qualified staff to provide the services, adequate available facilities, an updated library collection and equipment.
- Cooperating with other design centers, private companies, and universities.
- Continually publicizing the services to create maximum use of them.

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Meeting U.S. Food Safety Requirements

Background

This is a summary of the document Food Plant GMPs: How Can Foreign Food Manufacturers Comply with U.S. Regulations? by Herbert Weinstein, Ph.D. It is presented as a quick reference on U.S. market food safety requirements that Rwandan food specialty exporters need to learn about in detail.

The Food Safety Modernization Act (FSMA) was signed into law in January, 2011. Considered the most sweeping reform to the U.S. food safety laws in over 70 years, FSMA applies to domestic and imported food and seeks to ensure a safer food supply overall. The law emphasizes the industry's role in the food safety of the products they trade in the U.S., regardless of origin. Therefore, food manufacturers must meet U.S. regulations and must tell their food importers how to do the same with their partners in the country of origin. The following is a quick reference to what is asked of every food manufacturing or packing facility wishing to enter the U.S. market under FSMA:

- Manufacture safe and reliable, good-quality food products.
- Attain and maintain agreed-to specifications.
- Follow techniques used in industrialized countries to comply with laws and regulations.
- Secure inspection approval from governmental and private food inspectors/entities.

Accomplishing these tasks will involve hazard analysis and risk-based preventive controls, as well as updated

Good Manufacturing Practices (GMPs) as explained below.

Hazard Analysis and Risk-Based Preventive Controls

Each facility would be required to implement a written food safety plan that focuses on preventing hazards in foods. This requirement is proposed as a renewed effort to motivate the food industry to adopt a true and more dynamic Hazard Analysis and Critical Control Points (HACCP). HACCP is a systematic preventive approach to food safety that addresses physical, chemical and biological hazards as a means of prevention rather than focus on finished product inspection. HACCP is used in the food industry to identify potential food safety hazards and take actions to eliminate the risk. Its implementation up until the enactment of FSMA was mandatory only for a handful of food operations with high-risk products such as eggs, poultry, meats, fish and ready-to-eat food manufacturing facilities.

Updated Good Manufacturing Practices (GMPs)

Under FSMA the firm must employ updated GMPs to ensure good sanitation covering aspects from food facility design and construction to logistics and distribution. An individual set of GMPs and Standard Operating Procedures (SOPs) are required for every location and stage where food is processed, packed, labeled and distributed. FSMA is also including the incorporation of practices that protect against allergenic and cross-contact.

GMPs describe the methods, equipment, facilities and controls for producing processed food. GMPs help with quality control and waste reduction, and they also serve as one basis for FDA inspections.

FSMA Challenges for Food the Industry in Developing Countries

FSMA will require food exporters in developing countries to accelerate their adoption of stringent food safety assurance standards; but major challenges exist, particularly for small companies. The following is a list of these challenges:

- Weakly enforced or non-existent national food safety laws and regulations.
- Missing culture of strict personnel sanitation practices (e.g., health check-ups, cleanliness, etc.).
- Inadequate process controls and documentation (e.g., no recording of processing temperatures, etc.).
- Missing standards for minimally adequate facilities for food processing, storage and transportation.
- Lack of access to laboratories and reliable laboratory testing (water, chemical residues, etc.).
- Missing traceability systems not allowing for good record keeping to do recalls.



Cycle of hazard analysis and risk-based preventive measures. Source: FDA FSMA.

Recommended Approach for Rwandan Food Exporters to the U.S.

This summary is provided to underscore the importance of FSMA to Rwandan authorities and other stakeholders promoting exports to the U.S. market. Many small countries with a strong foothold already inside this market are nervous about the implications of yet-stricter food safety standards applied to small and large companies alike. For years, different programs and entities in Rwanda's MINAGRI and MINICOM as well as programs and centers supporting food technology have discussed the importance of preparing exporters to face rising standards for food safety with an emphasis on private standards such as GlobalGAP and European standards under the Codex alimentarius. This focus responds to the fact that existing food exports are mainly shipped to Europe. Experience in shipping to the U.S. is limited or non-existent, but a number of untapped opportunities available for Rwandan exporters are being outlined by EATIH that will call for attention to these standards. Therefore, food exporters with the potential to enter the U.S. need to identify the local capacity, whether in national programs or through international cooperation products, to help them understand the full scope and impact of FSMA's compliance requirements. Providing further details and product-specific information is outside the scope of this report.

Source

<http://www.foodsafetymagazine.com/magazine-archive1/october-november-2011/food-plant-gmps-how-can-foreign-food-manufacturers-comply-with-us-regulations/>.

Food Business Incubators

Background

Business incubators have grown in relevance to the point that they have now become big business. There is even an International Business Innovation Association with its headquarters in Orlando, Florida, which celebrates annual international conferences. Participants from 49 of the 50 U.S. states and from 38 countries were gathered during the last meeting in 2015. There is also Food Business Incubators International, a subsidiary of a group known as Canadian Acceleration and Business Incubation.

Business incubators can be public, private, or a combination of the two. Most are physical spaces in which a new company can get started and pay little or nothing for the space and the services that go with it. They usually include essential services to business such as meeting rooms, photocopying and technical assistance with all aspects of starting and running a business such as planning, management, administration, operations and financing.

Food processing incubators are relatively new and they can be very helpful to food industry entrepreneurs. For example, the Food Processing Development Center in Alberta, Canada is described as "... a modern, fully equipped pilot plant and product development laboratory facility, staffed with experienced food scientists, engineers and technologists." It is a multi-tenant facility that is dedicated to helping new food processors scale up and commercialize new products and technologies. It has a processing bay, centralized shipping & receiving areas, shared cold storage and staff welfare areas to eat, practice sports and socialize. There is an incubator for food and agribusiness in Mexico that is known as FUMEC. There is another in Paraguay, in the University of San Carlos, partially financed by the National Council on Science and Technology. The most complete one by far is the Food Innovation Center at Rutgers University, in the U.S. A list of its facilities and services is presented here as an annex.

Is This an Idea Worth Adopting in Rwanda?

Yes, and perhaps the closest incubator that could be emulated in Rwanda is the Vermont Food Innovation Center, also in the U.S. This small organization has a multi-purpose kitchen with industry-grade food

processing equipment, kettles, ovens and fillers; a wet-pack kitchen with similar equipment for making sauces, marmalades, beverages, etc., and a raw kitchen for minimally processed fresh fruits and vegetable products. In addition to access to this industrial gear, it also offers the following services:

- Business consultation and support.
- Recipe, food safety and production consultation.
- ServSafe Certification (a food sanitation program).
- Co-packing services.
- Nutrition labeling software.
- Distribution and delivery services.
- Regular workshops and opportunities for continuing education.
- Marketing events.

To receive assistance from the incubator, a small business must meet the following criteria:

- Be a value-added food processor, registered in Vermont.
- Have been a customer of the Vermont Food Center for at least three months and want to obtain technical assistance, training and business contacts.
- Source ingredients from farms in or near Vermont.
- Have revenue of at least \$20,000 per year.
- Intend to lease equipment for at least \$5,000 per year and to use it in Vermont.

After a firm has gone through its initial advisory sessions for free, the center charges about \$25 per hour for consulting services, \$28 per hour for food preparatory work in its kitchens and \$35 per hour for cooking, including the use of skillets, kettles, ovens, and fillers. In addition, it charges \$25 per pallet per month for dry storage, \$40 for cold and frozen storage, \$10 per hour to use its bottle labeling machine, \$40 to use its nutrition labeling software, \$18 for kitchen or professional assistance and negotiated rates for co-packing and visiting facilities that are not located in the center. In addition, it offers a food sanitation course for \$130 and it collects a \$300 refundable deposit from each client who uses its facilities.

The Vermont Food Center's 2013 operational budget of \$660,000 came from different sources. For instance, \$112,000 came from government grants, \$349,000 from individual and foundation grants, and \$199,000 from program services. The center's multi-source funding and revenue model provides important insights for Rwandan authorities thinking about the best and most sustainable revenue model that could work in Rwanda's emerging processed food export industry.

The center has about two-dozen resident companies whose personnel often stay for several years. The center also assists as many as 50 companies per year that do not work from its facilities. They are producers of syrups, marinades, vegetarian burgers and many other food products. No data could be found to account for the success metrics of companies accessing the center's services. Nevertheless, anecdotal accounts and the continued flow of companies seeking the center's support point out that its clients do significantly better than similar firms who do not seek such start-up help.

There is considerable information on the Internet about this food-processing incubator if Rwandan stakeholders wish to learn more. Most importantly, the center welcomes visitors from other states and countries, which could mean an important fact-finding mission if a similar center is to be designed for Rwanda. These "Learning Visits" take place between April and October of each year and there is a fee of between \$150 and \$500 associated with it. Its best practices can be summarized as:

- Offering a physical space in which new businesses can grow and learn from each other.
- Providing numerous kinds of technical assistance.
- Guiding tenants in numerous aspects of their businesses, including research, production, administration, marketing, logistics and finance.

- Charging small but significant fees for its services that feed into its annual budget for a sustainable operation.

Another Example: The Food Development Innovation Center of Rutgers University

1. Lobby and reception area. This serves as an inviting space to greet guests and clients of the Food Innovation Center (FIC), and can also be converted into a conference room. The entire Business Development Services side of the facility is equipped with wireless Internet access and the lobby and reception area is also equipped with sophisticated audio and video equipment that enables distance learning and continuing education courses that can be offered to the community.

2. Resource library. This is a resource to staff and clients alike, providing access to extensive business and technical information, which will be continually updated. In addition, two computer workstations are available to clients that enable business and technical research and access to the Rutgers library system.

3. Focus group observation room. This is specially designed so that clients can observe professionally-conducted consumer research and focus groups through a one-way mirror into the adjacent conference room. In a focus group, an opinion-seeking panel discussion is created in which consumers are asked to share their perspectives on a new product concept or benefit. Groups usually consist of 8 to 12 people who join in a discussion led by a trained moderator.

4. Conference room: An outfitted area with state-of the-art teleconferencing and distance learning capabilities linking the FIC facility to the main campus of Rutgers University, to satellite locations in rural southern New Jersey and to sites throughout the nation. This provides the opportunity for local residents and businesses to participate in continuing education courses, which may otherwise be unavailable. In addition, this room will be utilized to train clients in Good Manufacturing Practices and other procedures that must be followed in our processing facility, and can be used for regional conferences and community meetings.

5. Product development kitchen. Clients conduct basic research and bench-top formulation to develop cost-effective and technically feasible products that can be manufactured with assurance of safety and quality. When fully outfitted, staff will be able to assist clients in product and process development using an array of specialty equipment. In addition, product preparation instructions can be determined using variable oven and microwave heating instructions. Furthermore, nutritional information can be determined using specialized software that the Food Innovation Center has purchased.

6. Sensory analysis area. This area contains four sensory evaluation booths located adjacent to the product development research kitchen. These taste panel facilities are available for food processors desiring scientifically-conducted, unbiased evaluations of their food products

7. Chemistry lab. A lab designed to conduct a broad array of routine food chemistry testing that will be needed during product development and manufacture, such as pH, water activity, moisture and brix.

8. Microbiology laboratory. The purpose of the lab is to conduct microbial analysis of finished products, raw materials and food contact surfaces that will help in the determination of product shelf life, the safety of products produced in the facility, and the efficacy of our facility sanitation. This lab will also enable the evaluation of new preservation technologies that can extend product shelf life and enhance product safety.

9. Offices for clients and partners. These offices allow clients to have the option to move both their processing and administrative functions into the Center's facility if desired. All of the client offices are fully furnished and clients have access to the facility receptionist, telephone system, photocopying machines and other services. These offices can also be used by partner agencies such as SBDC, SBA, USDA, NJEDA, etc.

10. Anteroom and gowning area. In this area clients find lockers and restrooms in which production personnel are required to wash their hands and put on FIC-supplied lab coats, boots, hair nets, and gloves. This area will also contain a system for washing the underside of boots with a bactericidal solution.

11. Production corridor. This is the area where all production employees must wash and sanitize their hands and gloves prior to entering a processing room. In addition, this area contains viewing windows, which enable visitors to observe the operation without becoming a potential contamination source.

12. Bakery and dry processing room. The room contains an extensive range of equipment that enables mixing, proofing, sheeting, baking and steaming. Types of products that can be produced here include: fruit pies, breads, rolls, cookies and other baked goods, as well as seasoning blends and rubs. In 2009, the capability of producing dehydrated fruits, vegetables, and herbs will be added. This room is about 1,000 sq. ft.

13. Blast freezer. A 40-horsepower compressor that enables rapid freezing of products to optimize quality. This will enable 20 racks of products to be frozen at temperatures as low as - 30° F (-1° C).

14. Raw material cooler. A refrigerated storage area for raw materials consisting of racking for ingredients such as boxed dairy items, meat items and miscellaneous non-produce raw materials. This refrigerated cooler is 200 sq. ft. and 14' high in size.

15. Blast chiller. A 20-horsepower compressor that enables rapid chilling of client products that will optimize product safety and quality and exceed government regulations for chilling. This will enable 20 racks of products to be quickly chilled. The room temperature will be maintained at 35° F (1.6° C).

16. Hot process area. This area consists of an extensive range of equipment that enables blanching, steaming, cooking, roasting, baking, pasteurization, filling and labeling. Types of products that can be produced here include: beverages, soups, sauces, stews, salsas, jams and jellies, cheeses, yogurts, grilled and roasted vegetables, and meals for catering functions. A bottling line arriving in November 2008 will allow for automated production of both still and carbonated beverages. This room is about 2,000 sq. ft.

17. Wash room. A washing room for small wares, trays and other food contact utensils, consisting of a separate access for dirty and clean equipment so as to minimize opportunity for cross-contamination.

18. Cold assembly room. An area designated for assembly and packaging of products under specialty HEPA-filtered clean room conditions and at temperatures that will typically be 38° F (3.3° C). This room will consist of horizontal form-fill-seal machines for modified atmosphere packaging, tray and cup packaging and sealing lines, and bagging, labeling and shrink-wrapping equipment. This room is 700 sq. ft., and will be equipped in 2009.

19. Fresh-cut room and cold process area. A processing room maintained at 38° F (3.3° C) and designed for preparation and packaging of fresh-cut produce. Types of products that can be produced include: pre-cut vegetables, lettuce based salads, fresh-cut fruits, peeled whole vacuum packed potatoes and extended-shelf-life sliced apples, peaches or tomatoes. This room is 1,500 sq. ft. and will be equipped in 2009.

20. Raw produce cooler. A 700-sq. ft., 20' high area, which will consist of 45 pallet spaces, enabling ample storage of raw agricultural commodities. This room will be maintained at temperatures optimized for the raw materials to be stored at a given time.

21. Finished goods cooler. A 725-sq. ft., 20' high area, consisting of pallet racks that can store 48 pallets, enabling ample storage of raw materials and finished goods for client products. The room will be maintained at 38° F (3.3° C), and access to the upper levels of pallet racks will be via a narrow aisle reachable by truck.

22. Dry storage area. A room designated for raw materials kept prior to use in production. This includes packaging materials as well as ingredients and finished products in which ambient storage conditions are required. It is approximately 1000 sq. ft. and 24' tall. It will be racked with pallet racks that will enable us to store 90 pallets of dry materials.

23. Finished goods freezer. A 725-sq. ft., 20' high area, consisting of pallet racks that can store 48 pallets, enabling ample storage of raw materials and finished goods for client products. This room will be maintained at 0° F (-18° C), and access to the upper levels of pallet racks will be via a narrow aisle reach truck.

24. Maintenance room. Fitted with an 8" fire sprinkler; a 4" water service, telephone and fiber optics, access for lawn irrigation and other maintenance equipment is kept here. This room is also used for maintenance parts and materials and includes welding equipment, an exhaust system and floor drains.

25. Chemical storage room. Chemicals and miscellaneous cleaning equipment are stored and locked here.

26. Receiving and shipping area. This is for incoming materials and the shipment of finished products into a distribution chain. There are 4 loading dock positions under a covered canopy. Two of the positions have dock levelers.

27. Loading dock. Consists of four bays that enable receipt or shipment of materials from or to small trucks or tractor-trailers. The dock is also used to store equipment that may be used on an infrequent basis. In addition, garbage and recycling materials are removed from the building and stored in this area.

28. Storage area. Located adjacent to the bakery and dry processing room, this area consists of one room at 500 sq. ft., which can be utilized for dedicated storage of allergenic ingredients and/or organic, kosher, or gluten-free ingredients and packaging materials.

29. Mezzanine – HVAC systems. Located on the mezzanine, this large area is located over the entire processing section and contains 16 process exhaust fans, 6 heated makeup air supply fans, one HEPA air filtration system that enables clean room packaging of perishable products, a compressed air distribution system, steam and condensate distribution, 8 electrical circuit breaker panels for production equipment power needs, smoke and fire detection systems, doorway sanitizing control systems, refrigeration piping, natural gas piping and four space heaters.

30. Mezzanine – mechanical room. Located on the mezzanine, this room contains a 1600-amp, 480-volt electric service, a 60-horsepower steam process boiler and two 150,000-BTU hot water heaters to service the plant sanitation requirements with a 300-gallon hot water storage tank. It also has one 25-horsepower rotary screw air compressor and a refrigerated compressed air dryer and, in the near future, will also include an activated carbon and sand water filtration system for process water requirements.

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Lesotho Finds Magic in the U.S.

Background

Lesotho's garment sector produces approximately 90 million knitted garments annually. It is estimated that Lesotho consumes between 22,000 and 26,000 metric tons of knitted fabric per year.

Garments from knitted fabric are produced by 33 factories, which collectively employ about 26,000 workers. Approximately 90 million knitted garments and 26 million pairs of jeans are produced by Lesotho's garment industry per year.

The Lesotho presence at MAGIC put the country firmly on the apparel- and footwear-buying map for U.S. buyers and retailers. It also served to market the manufacturing capacity of the region in general and to promote international buyer participation for Source Africa 2015, the largest sourcing event in Africa, held from June 9-11 in Cape Town, South Africa.

The USAID Southern Africa Trade Hub supported six apparel companies from Lesotho and one from Botswana to participate in the largest fashion trade show in the world, the MAGIC show in Las Vegas in early 2015. The Sourcing Southern Africa booth was designed to introduce Southern African companies to U.S. buyers and sourcing executives. The goal was to establish business leads to capitalize on AGOA trade preferences. It was the first time in nearly ten years that companies from Lesotho had participated in MAGIC.

Luqy Manufacturing's Experience with USAID's Assistance

Luqy Manufacturing, a woman-owned company from Lesotho specializing in manufacturing synthetic knit garments, was one of these companies. Luqy is a small, locally-owned manufacturing operation, whose employees are over 80% female. Because of its participation in MAGIC, Luqy signed an order to supply, for a year, 50,000 pieces of synthetic knit blouses and shorts per month to the U.S. market—a deal worth over US\$3.5 million. Since then, the company has signed an even bigger order for 168,000 units per month with the same buyer, G&T Garments. G&T Garments is a wholesale supplier based in Los Angeles whose garments are sold in stores throughout the U.S., including Kohl's.

Luqy had been working exclusively with buyers in South Africa, but since AGOA continues to provide duty-free access for synthetic knit apparel (otherwise subject to the highest U.S. tariffs), the U.S. market was seen as a natural fit for Luqy to grow its business. Garments to be produced by Luqy under these orders include items such as light-layer soft wear for women with stretch, cropped leggings, which enjoy duty exemption of up to 30 % because of AGOA.

"We were happy to have been helped by USAID in this manner as we may never have had the opportunity at all," said Mairoon Dambhe, CEO of Luqy, "... the orders we have obtained will significantly aid us in expanding rapidly."

As part of the development of the textiles and apparel value chain in Southern Africa, the SA Trade Hub, working closely with the Office of United States Trade Representative (USTR), assisted in the formation of Source Africa, the most important annual pan-African textile, clothing, footwear and fashion accessory trade event on the global calendar. Held at the Cape Town International Convention Center (CTICC) from June 9-11, 2015, Source Africa enables local, regional and international buyers to access a wide array of diverse apparel products and services within a single platform. Countries represented at the event included

South Africa, Mauritius, Lesotho, Botswana, Swaziland, Madagascar, Mozambique, Tanzania, Ethiopia, Nigeria, Zimbabwe and many others.

Cheryl L. Anderson, USAID/Southern Africa Mission Director explained, “We are delighted that manufacturers from throughout Southern Africa are working with USAID to participate in Source Africa in Cape Town. This exhibition offers our partner companies a unique opportunity to showcase both their product lines and capacity to the U.S. and international markets, and ultimately generate sales.”

Following closely on the heels of Source Africa 2015, Assistant U.S. Trade Representative for Apparel and Textiles, Gail Strickler, visited Luqy and other Lesotho apparel factories to gain first-hand knowledge of the economic impact and job growth fostered by AGOA and exports to the U.S. “A 10-year renewal for AGOA could lead to dramatically different types of investment in the apparel supply chain,” Ms. Strickler said during her address at Source Africa. “The extension offers tremendous opportunities for more integrated supply chains across Sub-Saharan Africa.” During her visit to Lesotho, Strickler also met with government officials, including the Minister of Trade and Industry, Joshua Setipa, and the CEO of the Lesotho National Development Corporation (LNDC), Kelebhone Leisanyane. Speaking to Ms. Strickler, Luqmaan Adams, Director of Luqy said, “it was our first time at MAGIC and we thought it would be mainly a learning experience for us but we all of a sudden made two sales to the U.S. Really amazing and we hope for more!”

Relevance of this Example to Rwanda

The garment and footwear industry around the world is among the most globalized. Developing countries fight with all their comparative and competitive advantages to attract investments from big names in this industry. The competition is fierce, particularly for land-locked countries such as Lesotho and Rwanda. Providing this example is important because, in benchmarking the potential opportunities for Rwanda, Lesotho can show through important comparison criteria that it is possible to attract significant investments to small countries in Africa. What Rwanda does not have in some areas (such as direct roads to seaports) can be compensated for in available human power and enabling favorable business policy environment. Additionally, this example illustrates that USAID’s hands-on experience in promoting business-to-business linkages in this important global sector can play an instrumental role in pursuing this sector’s development for Rwanda.

Source
<http://www.satradehub.org/success-stories/147-lesotho-finds-magic-in-the-us>

The PVH Model

Background

This is the description of another business model currently developed in Kenya by the U.S. apparel company PVH Group (PVH). PVH owns Tommy Hilfiger, Calvin Klein and Heritage Brands among others. Their model could be replicated in Rwanda as PVH is interested in building values and a new production model in Africa. It is undeniable that there are significant cost advantages for companies sourcing from Africa. While cost considerations are necessary, they are far from sufficient when PVH makes strategic decisions about the countries where it places production operations. For PVH, the value of the company lies in the public’s perception of its brands, thus it cannot risk its reputation being tarnished by pursuing short-term growth strategies when it comes to sourcing decisions.

PVH is interested in being a partner in a long-term strategy for growth for the country where it operates and its people. Of their business model, PVH executives say, “We want to be in places where we can install



not just good factories but codes of conduct, values, environmental sustainability, positive worker relations and the highest business and ethical principles to ensure the long-term success of our commitments.” Apparel production has generally been one of the first industries to invest in low-income countries. Over the last 30 years, great good has been seen to come to these countries from the jobs created and the overall economic boost associated with this industry. On the other hand, it is undeniable that there have been instances in which costly and even tragic mistakes have been made. These mistakes have often been the result of short-sighted investment in lawless environments. That model must and will change rapidly and countries in Africa will be the beneficiaries of a new and more inclusive model of investment and growth. In this new model, companies like PVH are able to put in place, right from the beginning, facilities, norms and values that will guide the work at the factories and the relationships between workers, managers, associations, civil society groups, governments and other stakeholders.

That is why, when PVH looked at Africa, it did not just look for a place to quickly set up a sewing operation. PVH knows that to be successful it is imperative to have a clear vision throughout the entire supply chain structure. PVH’s motto is to identify the best global partners to join a journey to long-lasting, mutually beneficial, trusting relationships. In order to do so, PVH must be equally committed to upholding the sustainable social standards required across all sectors and with all investors and participants. PVH’s representatives declare, “We have asked those governments we met with to review their corporate social responsibility code at all levels and develop both educational and enforcement programs to ensure compliance. We asked each of them how they wanted the brand name of their country to be thought of ten years from now as the decision they made would ultimately determine the answer.”

Africa Can Be Vertically Integrated

After twenty years of learning, PVH is today positioned to bring good business practices, standards and ethics to the region. Its experience could help African apparel manufacturers move beyond basic cut-and-sew operations by proactively building a fully vertical, end-to-end, socially responsible supply chain. The old model of simple cutting and sewing operations that can be installed and removed with relative ease does not fit with their vision of Africa. Africa can attract investment in other added-value processes in apparel production such as cotton growing, yarn spinning, weaving and logistical operations. This builds on an existing culture since cotton growing is a staple agricultural activity in several African countries. Further, Africa has the petroleum and natural fiber basics for man-made fibers such as bamboo that can be converted to apparel yarns. A key additional advantage of many countries is that English is the primary or one of the top three primary languages, which makes it easier to train workers and future managers. When political and policy stability is added to this mix, there is no reason why some regions in Africa cannot develop fully vertically-integrated value chains.

Other Areas in Which the U.S. Can Help

There are many ways in which the U.S. can partner with Africa to achieve a fully vertically-integrated model of production. For instance, there is cotton production in Africa today, but it is very inefficient and of poor quality compared to the high yields and high-quality cotton produced in other areas. This could be changed by creating partnerships between developed and developing countries in Africa that would help transfer know-how to African farmers and facilitate the move from artisanal to technologically advanced methods of growing and harvesting, implementing modern farming practices that use less water, less pesticides and have higher yields per acre. Implementing harvesting practices that use machines rather than people will help minimize labor risk potential. Instituting cotton-grading practices like the U.S. system will help ensure quality product and reliability for purchasers.

Training workers and management is also essential and this is another area where developed countries’ know-how can prove crucial. Allowing employees access to visas to travel to the U.S. for training in practices



and systems will enable the U.S. to ensure that best practices are exported and put in place globally. Trade infrastructure projects are critical, and in this regard the current congressional efforts to promote energy investments in Africa are commendable. The U.S. also supports the Trade Facilitation Agreement signed in Bali last year and looks forward to its implementation. A related area is the support to the sub-Saharan nations to build an intra-regional connectivity that will allow goods necessary for apparel production to transit the continent seamlessly. This will considerably enhance the attractiveness of the continent and prevent each nation from having to be completely vertically integrated on its own.

Both of these models can be replicated in Rwanda. Kate Spade has chosen a local Rwandan manufacturer, while PVH has opted for asking its global vendors to come and invest in East Africa.

Source

EATIH - Rwanda National AGOA Strategy – Draft July 2015.

This information was adapted from excerpts from the testimony of Bill McRaith, Chief Supply Chain Officer, at the Committee on Ways and Means, United States House of Representatives.

ANNEX 6: INTERVIEWS & MEETINGS

LIST OF INTERVIEWS AND MEETINGS

	Company	Name of interviewee	Position
1	Embassy of Rwanda, USA	Bonny Musefano	Business Attaché
2	USAID-Rwanda	Marcia Musisi-Nkambwe	Deputy Mission Director
3	USAID-Rwanda	Malick Haidara	Deputy Director Economic Growth Office
4	USAID-Rwanda	Gregory Leon	Senior Trade & Investment Advisor
5	Embassy of the USA, Rwanda	Mike Lurie	Economic and Commercial Officer
6	New Kigali Designers	Derrick Kanyonya	CEO
7	New Kigali Designers	Chantal Murebwa Maweza	Manager
8	Ministry of Trade and Industry	Hon. François Kanimba	Minister
9	C&H	Candy Ma	CEO
10	C&H	Jandy Li	Financial Manager
11	Ministry of Economy & Finance	Emmanuel Nkurunziza	Strategy Tax Economist
12	Rwanda Standards Board	Yves Severin Rwigimba	Staff
13	East Africa Trade and Investment Hub	Michael Smith	USAID Contractor
14	Rwanda Development Board	Robert Muhizi	Export Promotion Division Manager
15	Rwanda Development Board	Emmanuel Kavuste Mucyo	Export Development Specialist
16	Rwanda Development Board	Justas Niyitanga	Market Linkages Specialist
17	Rwanda Development Board	Paul Ruhamyia	Regional Trade Development Specialist
18	SUCAFINA	Audrey-Anne Paquin	Sustainability Officer
19	Gahaya Links	Joy Ndunguste	CEO
20	RWACOF	Anbalagan D. Swamy	Managing Director
21	Rwanda Revenue Authority /CUSTOMS	Theophile Ngabonziza	Director, Customs Outstations Division
22	Intra Speed Rwanda	Jean Bosco Rusagara	CEO
23	Songa Designs International	Gilbert Kubwimana	Rwanda Country Director
24	Uzuri K & Y	Kevine Kagirimpundu	CEO
25	Made in Kigali	Scorpio Ramazani	CEO
26	Rwanda Clothing Home	Jocelyne Umutoni	CEO
27	Glo Creations	Gloria K. Uwizera	CEO
28	Association of Professional Tailors	Alvera Mukantwari	President
29	Association of Professional Tailors	Jean Paul Binama	Vice President
30	Inzuki Designs	Teta Isibo	CEO
31	UTEXRWA	Patel Ritesh	General Manager
32	UTEXRWA	D.B. Mehta	Marketing Manager
33	UTEXRWA	Celestin Sebuhiya	Spinning Manager
34	UTEXRWA	Abdul Kamal Razzak	Garment Manager
35	Indigo Africa	Heloise Mudenge	Finance and Communications Associate
36	Indigo Africa	Modeste Ngabonziza	Education Associate

LIST OF INTERVIEWS AND MEETINGS

	Company	Name of interviewee	Position
37	Indigo Africa	Emilienne Nyiramana	Education Associate
38	Abahizi Dushyigikirane Company Lt (ADC)	Taryn Bird	Manager, On Purpose (Kate Spade & Company)
39	AWEP (Rwanda Chapter)	Solange Uwingabiye Murekezi	Vice-Chair AWEP-Rwanda
40	Women Import and Export Network	Esperance Kanani	Managing Director
41	Arts Mix Media	Albert Munyemana	Artist
42	Ministry of Trade and Industry	Peace Basemera	Trade Negotiator
43	Ministry of Trade and Industry	Laurence Mukarugwiza	External Trade Policy Specialist
44	Ministry of Trade and Industry	Samantha Torrance	ASI Adviser to the Minister
45	Ministry of Trade and Industry	Patrick Hagumimana	Adviser to the Minister
46	Ministry of Trade and Industry	Katherine Stapleton	ODI Fellow in External Trade Department
47	Ministry of Trade and Industry	Armin Lalui	Consultant (Adviser on External Trade)
48	Ministry of Trade and Industry	Mads Knudsen	Consultant (Statistics, Monitoring and Planning)
49	Ministry of Trade and Industry	Doreen Ntawebasa	External Trade Specialist
50	Ministry of Trade and Industry	Vincent Safari	External Trade Specialist
51	Ministry of Trade and Industry	Jonathan Timmis	ODI Fellow in Industry Department
52	Bourbon Coffee	Paul Ntaganda	Operations Manager
53	Green Harvest Products	Sraith Mbarute	Managing Director
54	RFCC	Rukwaya Eric	Sales & Marketing Manager
55	Rwanda Tea Packers	Kabagambe Hamim	Factory Manager
56	Shekina Enterprise	Pierre Damien Mbatezimana	Founder & Managing Director
57	Urwibutso Ese	Sina Gerard	Owner & Managing Director
58	Sorwathe	Rohith Peiris	Director General
59	Inyange Industries	Steveen Uwamazima	Commercial Director
60	Inyange Industries	Kris Romeo Kabalira	Marketing Manager
61	ABDC Honey	Raphael Mpayana	President
62	PSDAG - USAID	Melanie Bittle	COP
63	School of Food Science and Technology, University of Rwanda	Dr. Clement Bitwayiki	Head, Food Technology
64	School of Food Science and Technology, University of Rwanda	Dr. Hilda Vasanthakaalam	Dean
65	NAEB	Jean Marie Vianney Munyaneza	Diversification & Products Manager
66	NAEB	Potien Munyankera	Coffee Division
67	NAEB	Issa Nkurunziza	Tea Division Manager
68	RSB	Antoinette Mbabagi	Head of Certifications
69	RSB	J.P. Bajeneza	Quality Inspections
70	RSB	Antoine Mukunzi	Quality Testing Laboratories, Manager
71	Norelga Macadamia Rwanda	Norce Elysée Gatarayiha	Chief Executive Officer

LIST OF INTERVIEWS AND MEETINGS

	Company	Name of interviewee	Position
72	NIRDA Annoncée	Kuradusenge	Agro-Processing & Biotech Manager
73	MINICOM	Germain Niyomutabazi	Entrepreneurship Dev. Policy
74	MINICOM	Emmanuel Hategeka	Permanent Secretary
75	PSDAG – USAID	Joseph Nzomoi Sr	Policy & Institutional Specialist
76	RDB	Alice Nikuze	Manufacturing Specialist – Investment
77	RDB	Modeste Nkikabahizi	Agriculture – Investment Promotion
78	Rwanda Nut Company Ltd	Momoko Harada	Managing Director
79	Dokmai Rwanda	Bernadette Umunyana	Creative Director

LIST OF ADDITIONAL PARTICIPANTS IN THE THREE ACTION- PLAN VALIDATION WORKSHOPS*

	Company	Name of interviewee	Position
1	Chamber of Industry	Claudine Mukeshimana	Executive Director
2	Institut Catholique de Kabgayi	Munyanganizi Bikoro	Director of Research & Professionalisation
3	MINICOM	Alice Twizeye	Director of External Trade
4	MINICOM	Doreen Ntawebasa	Trade Economist
5	MINICOM/GIZ	Alice Uwingabiye	SME Forum Coordinator
6	NAEB	Natacha Raynaud	Communication Advisor
7	NAEB	Uwera Robinah	Marketing Strategy Specialist
8	Rwacof Exports	Kevin F. Ndayishimiye	Export & Logistics Manager
9	Rwanda Association of Manufacturers	Alphonse Kwizera	Assistant Executive Director
10	Rwanda Mountain Tea	Nyirahuku Bela	Marketing & Sales Manager
11	Rwashoscco	Angelique Karekezi	Managing Director
12	Tuzamurane Cooperative	Eric Ntabaringanira	Buying & Selling Officer
13	WIEN	Esperance Kanani	Managing Director
14	APT	Mukantwari Alvera	President
15	DOKMAI Rwanda	Bernadette Umunyana	Founder
16	GAU LTD	Alvera Mukantwari	Managing Director
17	MINICOM	Laurence Mukarugwiza	External Trade Policy Specialist
18	Onyx	Carine Zoe Umutoni	Owner
19	PSF	Karen N. Uwera	National Coordinator
		Nucleus Approach	
20	RDB	Justas Niyitanga	Market Linkages Specialist
21	Rupari Design	Rupari Cynthia	Managing Director
22	Rwanda Clothing	Joselyne Umutoni	Managing Director
23	Songa Designs Rwanda	Gilbert Kubwimana	Country Director
24	Sonia Mugabo (SM)	Sonia Mugabo	Founder/ Creative Director
25	The Marion in Kigali	Naleli Rugege	Founder
26	ADC	Alphonse Nshimiyimana	Operations Director
27	ADC	Darius Habamenshi	Acting Managing Director
28	Haute Baso	Candy Basominger	Chief Operations Officer

* In total, 55 participants attended the three validation workshops. This list includes the names of participants that were not previously visited or interviewed. Many companies visited and interviewed also participated in the action plan validation.

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