

Monthly update – May 2009

# Agribusiness and Trade Expansion Program

## “Increasing Rural Incomes and Employment”

“የገጠር ገቢዎችንና የሥራ ዕድልን መጨመር”

### FROM THE PROJECT DIRECTOR

It is my pleasure to introduce a new and more readable format for our USAID-ATEP monthly updates. In addition to the “new look” we have introduced articles about our stakeholders and partners along with interviews and feature stories that best reflect the activities and results of USAID-ATEP. We also feel it is high time to spotlight members of our dedicated staff through a new section titled “At Your Service.”

May was my first full month at the helm of USAID-ATEP and I am impressed with the quality of the technical, administrative and financial teams that continue to serve our clients. We are busy with start-up activities for USAID-ATEP’s Phase II, which includes recruitment of 12 new staff members, initial forays into two new operational zones of Harar for coffee and Amhara and Tigray for oilseeds and pulses, the launch of the new health services that will accompany and compliment our standard agronomic and marketing programs, and the procurement of required equipment and vehicles for the program expansion.

Enjoy the May Update!



Thomas H. Carr, Chief of Party,  
Ethiopia Agribusiness and Trade Expansion Program



Photos by Rainforest Alliance

**Gemadro coffee plantation, one of the USAID-ATEP lead clients, with Rainforest Alliance Certification.**

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## USAID Agribusiness and Trade Expansion Program

This project is implemented by Fintrac Inc., a US agribusiness consulting firm. Consortium members include Boot Coffee Consulting & Training, the Economic Competitiveness Group, Manchester Trade and the Rainforest Alliance. It covers four agricultural production sectors in four regions of Ethiopia. There is also a Trade and Investment activity on the program. For more information, contact USAID-ATEP at:

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## Program Highlights

### OILSEEDS AND PULSES

In collaboration with Regional Bureaus of Agriculture and Rural Development (BoARD), USAID-ATEP held the Sesame Quality Millennium Training in eight woredas and 68 kebeles of Amhara and Tigray. The training focused mainly on sesame crop development, physical and chemical characteristics, proper seed selection, seed rates and methods of planting, disease and postharvest management, and marketing.

More than 21,900 smallholder sesame farmers participated in the training, which was conducted by region, zone and woreda-level agriculture experts with the supervision of USAID-ATEP senior agronomists. The training is expected to contribute to increased sesame production and improved quality.

### HEALTH

The HIV/AIDS prevention and awareness program was conducted for the first time concurrently with the second Sesame Quality Millennium Training. A total of 15,368 smallholder farmers in five woredas of Amhara (Metema, Sanja, Quara, Tsegede and Tach Armachiho) and three woredas of Tigray (Dansha, Humera and Tahitay Aiabo) were reached through the program.

### COFFEE

A group of coffee experts led by USAID-ATEP Coffee Sector Manager Abayneh Alemu, surveyed coffee growing woredas of Eastern Hararge to prepare for the expansion of the USAID-ATEP coffee program. The preliminary site survey provides data for the implementation strategy that identifies key problem areas, recommends clients, and demarcates the geographical operational zone.

As part of the site survey, discussions were held with regional and zonal agriculture bureau officials and experts from the Dire Dawa Coffee Quality Control Unit to determine key coffee production and marketing issues. Major challenges of coffee production were identified including coffee berry disease, old coffee trees, and harvesting, processing and adulteration problems. There are 13 coffee growing Woredas covering more than 27,300 hectares of land in Eastern Hararge.



Photos by Fintrac Inc.

**Participants in the second Sesame Quality Millennium Training listen during a presentation in Tigray Regional State.**

## Questions & Answers

### ***Rainforest Alliance Technical Representative Touts Progress in Ethiopian Livelihood Development***

*Rainforest Alliance has been a consortium partner with Fintrac on USAID-ATEP since 2006. Assefa Tigneh, Rainforest's technical representative in Ethiopia, met with USAID-ATEP's Communications Specialist Beamlak Tesfaye for a candid interview.*

**Q: What is The Rainforest Alliance?**

**A:** The Rainforest Alliance is a nongovernmental organization (NGO) working to conserve biodiversity and ensure sustainable livelihoods. It was founded in New York in 1987 having representative offices in Europe, Southeast Asia and Africa. Rainforest Alliance works in 53 countries with people whose livelihoods entirely depend on land. We support them to conserve biodiversity and ensure sustainable livelihoods by transforming land use practices, business practices and consumer behavior.

**Q: When did you start certification programs in Ethiopia?**

**A:** We started working in Ethiopia as consortium partners of USAID-ATEP, and certified the first group of 678 smallholder coffee farmers in Jimma area. They were organized by an exporting company; ASK International in collaboration with coffee trader, Jihad Ahmed. The result was encouraging; they sold their first batch of certified coffee for 1.5 million pounds.

*(See "Rainforest Alliance" on page 3 ...)*

## At Your Service

Teshome Kebede joined USAID-ATEP with more than 35 years of experience in the private and public sectors in various capacities ranging from managing government enterprises to running his own private leather goods manufacturing company. He has degrees in Management and Commerce from Addis Ababa University (AAU).

As a business leader, he has been Vice President of the Addis Ababa Chamber of Commerce, Board member of the Commercial Bank of Ethiopia, President of the Ethiopian Manufacturing Industry Association, and President of the Commercial Graduates Association. At an international level, he has been providing consultancy services for the Government of the Republic of Rwanda to develop a national leather sector strategy, and served as member of the East African Advisory Panel for ACTIS, a UK-based equity firm.

(See “At Your Service” on page 4...)



Photos by Fintrac Inc.  
**Teshome Kebede, USAID-ATEP's deputy chief of party and HSL sector manager.**

*Rainforest Alliance . . . (Continued from page 2...)*

### **Q: What are the Rainforest Alliance Certification Programs in Ethiopia?**

**A:** Rainforest Alliance has four certifications worldwide; Sustainable Agriculture, Sustainable Forest Management, Sustainable Tourism Program and Neotropical communications and Education. In Ethiopia, we have only Sustainable Agriculture Certification.

### **Q: What is the main focus of the Sustainable Agriculture Certification Program?**

**A:** It is entirely focused on the integration of productive agriculture, biodiversity conservation and human development through the implementation of best management practices and socio-environmental standards for sustainable crop production.

### **Q: What are the environmental and social standards that should be met to get certified, and how do you evaluate the eligibility of the farm for certification?**

**A:** We have established social and environmental standards that are customized for each country including Ethiopia. Based on that, we have ten principles covering environmental, social and management practices, and 94 criterions. In accordance to these criterions certified auditors conduct auditing.

Prior to the audit, we provide trainings to group administrators or exporters having hundreds of farmers under their system. In turn, they train the smallholder coffee farmers.

The next step will be helping them establish and inspect internal control systems. Among the environmental standards; coffee farms must maintain natural forest cover to achieve 40 percent shade coverage, farmers are not allowed to alter natural water courses. The social standards mainly call for non-discriminatory hiring practices, payment of legal minimum wages, and access to health and education services.

### **Q: How many Hectares of coffee land are certified and marketed to date?**

**A:** More than 22,600 hectares of land are certified, and 1,335 metric tons of coffee are marketed with the assistance from USAID-ATEP. Nearly 12,800 smallholder farmers organized into groups by USAID-ATEP lead clients have benefited.

### **Q: To conclude, what are the benefits of Rainforest Alliance Certification?**

**A:** In general, it has environmental, social and economic benefits which are interrelated. We have a principle that states social sustainability and environmental sustainability results in economic sustainability that brings overall economic growth and development in the long run.

Currently we are working to make sure that certified coffee farmers benefit from the premium value paid over the real price. But still, we are at too early a stage to say all smallholder farmers are securing economic benefits. To date, we are successful in training and raising the consciousness of environmental protection and the ecosystem.

 **Program Spotlight**

## ***A new era for agricultural commodity marketing – Ethiopia Commodity Exchange (ECX)***

Ethiopia is one of the major grain producers in Africa. According to the Central Statistics Authority (CSA), the combined volume of wheat, maize, haricot bean and sesame produced in 2007/2008 was estimated to be 6.5 million metric tons. Each year more than a third of the agricultural products, mainly grains, are traded through the traditional domestic market system. High transaction costs, however, along with lack of reliable market information, lack of trust and coordination among market actors, lack of grades and standards and lack of contract enforcement, plagued the system for many years.

A year ago, the Government of Ethiopia with the support of major donors such as USAID, launched the Ethiopia Commodity Exchange (ECX) to bring fairness, transparency, efficiency and order to the domestic grain trading system. ECX began trading with maize, wheat and haricot beans, and major export crops, coffee and sesame were added. Major players in the market – traders, cooperative unions, exporters, processors and commercial farmers – are among the 1,200 trading members. “This is the right time to set up ECX. The domestic market is full of deficiencies: No trust, no transparency and no quality and standard assurance.” said Bemnet Aschanaki, a senior ECX manager of strategy and business development who was seconded by USAID-ATEP. Up to now, 61,631.7 metric tons of commodities with a sales value of 1.5 billion birr were traded. Coffee takes the lion’s share both in value and volume.

ECX has set up a network of specialized warehouses in major production and marketing regions of the country including Addis Ababa. The warehouses have carrying capacity of 85,000 metric tons. Bemnet added, “Every transaction is based on a warehouse receipts system that guarantees the integrity of the product.” ECX operated warehouses sample, grade, weigh and certify commodities on the basis of ECX-established grades and standards with the technical assistance from USAID-ATEP’s Warehouse Receipts Specialist Etagegn Geremew.

***(See “A new era ...” on Page 5)***

***(Continued from page 2 .....)***

Kebede serves USAID-ATEP as deputy chief of party and hides, skins & leather (HSL) sector manager. According to Kebede, there are three major accomplishments of the HSL sector within the last three years of the program. First, USAID-ATEP created the spirit of working together as a cluster along the value chain. Second, USAID-ATEP contributed to the growth of export income through market diversification and value added production. Third, USAID-ATEP created commercially desirable initiatives such as the ectoparasite control campaign that created demand and supply within the animal health system of the country.

Born to a poor farming family in Ethiopia, Kebede has passion for humanitarian activities. He is actively engaged in international humanitarian organizations such as Rotary Foundation.

Kebede is married to Woizero Almaz Messele and blessed with three children who are also qualified as an architect, a lawyer and a medical doctor. He is also blessed with four grandsons from his first two children.



Photos by Fintrac Inc.

**Etagegn Geremew, USAID-ATEP Warehouse Receipts Specialist, providing training on grading at one of ECX operated warehouses, Nekemt.**

**“The trainings were fundamental to provide quality service to clients. Our clients are satisfied of the services and are building trust on ECX day by day.”**

**— Yalemzewd Shiferaw, Saris Warehouse Supervisor**

(Continued from page 4.....)

The grades and standards are the basis for the standardized ECX contracts to minimize costs and risks in relation with contract negotiation, and encourage the maximum number of buyers and sellers to trade.

Each warehouse is staffed with a technical and support team. The technical team comprises a warehouse supervisor and quality and inventory controllers. Prior to the launch, Etagegn Geremew, in conjunction with a team of experts, provided trainings on warehouse operations, sampling and grading techniques. The technical team has a range of responsibilities that begin with receiving incoming commodities and end with the release of the commodity to the buyer. The supporting team facilitates the issuance of signed copies of Electronic GRN to depositors and electronically transfers the GRN to the Central Depository Unit. Depositors are charged at the rate of 0.11 cents per 100 Kg tons per day. Quality and inventory controllers make sure that deposited commodities are stored in compliance with the global standards of the Inventory Management System that stands on three principles – environmental control, rotation and first-in/first-out principles.

“The trainings were fundamental to provide quality service to clients. Our clients are satisfied of the services, and are building trust on ECX day by day,” said Yalemzewd Shiferaw, Saris warehouse supervisor. The warehouse, located in Addis Ababa, is the biggest among ECX-operated warehouses with a combined carrying capacity of 30,000 metric tons. On average, 60 to 80 trucks loaded with coffee are received on a daily basis. Unlike the grain, coffees are graded at the Coffee Liquoring Unit of ECX sited at the ECX-operated warehouse, Yosef. To avoid fraud and corruption that compromised the old coffee trading system, coffee samples are coded and put into similarly colored 3 kilogram bags. “Even if we have huge amounts of coffee coming in we are running our activities efficiently, smoothly, timely and accurately due to the computerized system that we have employed. I have been working for different warehouses but ECX is quite a new experience,” he said.

One of the quality and inventory controllers at the warehouse is Belyou Legesse. She said that the trainings on sampling and grading of ECX-traded commodities and warehouse management have upgraded the level of knowledge and professionalism she brought to ECX. “But, we have to be trained on coffee sampling and grading. Currently we are dealing with huge amounts of coffee coming in when compared to the grain,” she added. As part of her daily routine, she makes sure that deposited commodities are properly stored and released using stock cards and warehouse floor plans for identification.

Abebe Atew and Hamid Hussien are among the trading members of ECX. Both have been in the coffee and grain business for more than 20 years. They have traded more than 3,000 metric tons of coffee through the system to date. “ECX has succeeded to change the rule of the game in a way that guarantees quality and standards that have been absent. I am assured to collect payments on time as well,” Abebe said. On his part Hamid added, “For the past one year the system was a zero default system, but still, we need to share the experiences of other countries and customize it to our situation. There is always a room for change and improvement to get closer to perfection.”

USAID-ATEP has continued supporting ECX in the areas of warehouse finance and operations, business planning and compliance management.



Photos by ECX  
**Hamid Hussien (far left), ECX trading member, trading coffee at the ECX trading floor**

**“ECX has succeeded to change the rules of the game in a way that guarantees quality and standards that have been absent. I am assured to collect payments on time as well.”**

**— Abebe Atew, ECX trading member**