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MONTHLY UPDATE – July/August 2006

ETHIOPIA AGRIBUSINESS AND TRADE EXPANSION ACTIVITY

“Increasing Rural Incomes and Employment”

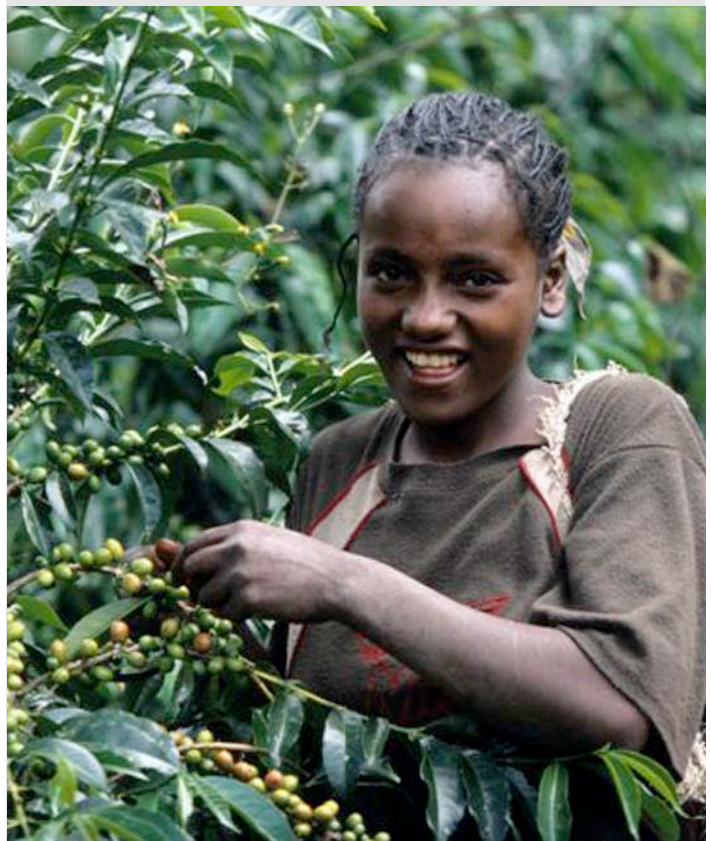
PROJECT BACKGROUND

The Ethiopia Agribusiness and Trade Expansion Activity, which started in April 2006, is a three-year initiative (with two additional option years) funded by the United States Agency for International Development (USAID). Its main objective is to increase agribusiness productivity, farmer incomes, and export, regional and local sales in the horticulture, oilseeds and pulses, coffee, and hides/skins/leather (HSL) sectors.

NOTE FROM THE PROJECT DIRECTOR

We’re looking forward to the official project launch on September 19th, which also signals the recent end of first quarter operations. Field technicians have been busy providing technical assistance and training to hundreds of lead farmers and farmer groups in Amhara, SNNPR, Tigray, and Oromia, while Addis-based staffers have been coordinating critical public-private sector dialogues, and getting “partnership and technology fund agreements” signed that will allow the project to leverage resources, expand outreach, and ensure that all activities are linked to actual market demand. The level of commitment and collaboration from the Ethiopian public and private sectors has been outstanding, and we would particularly like to extend our thanks to the Ministry of Agriculture and Rural Development (MoARD); the Ministry of Trade and Industry (MoTI); the Ethiopian Horticultural Producers and Exporters Association (EHPEA); the Pulses, Oilseeds, and Spices Processors Exporters Association; the Ethiopian Coffee Exporters Association, and the Ethiopian Tanners, Footwear and Leather Products Manufacturers Association. Together with USAID these organizations are giving valuable guidance to the Fintrac management team through the Steering Committee of this project. We will be issuing this Monthly Update to report out on project activities and results for these and other partners, donors, development practitioners, and agribusiness clients. Please also visit our website (www.ethiopiaag.org or www.fintrac.com/ethiopia.asp), to which Monthly Updates and other special publications will be regularly posted.

Steve Humphreys, Director,
Ethiopia Agribusiness and Trade Expansion Activity



Coffee Harvesting, Kaffa.

This Project is implemented by the US agribusiness firm, Fintrac Inc. Consortium members include Boot Consulting, the Economic Competitiveness Group, Manchester Trade, and the Rainforest Alliance. It covers four industry sectors in four regions of Ethiopia. For more information on ATEA activities, please contact:

USAID Agribusiness and Trade Expansion Activity “Increasing Rural Incomes and Employment”

Ki-Ab Building, 4th Floor Alexander Pushkin Street | [Opposite South African Embassy] | PO Box 70696 | Kirkos Subcity | Kebele 23, House #1123 | Addis Ababa, Ethiopia
Tel: 251-11-3720060 | Fax: 251-11-3720102
Email: atea@fintrac.com



Hypericum Seedling Production

HORTICULTURE

As part of the plan to jumpstart commercial vegetable exports this season, the Project sponsored a three-day grower workshop in Awassa at the end of August. A total of twenty-four growers (average farm size 40 Ha) attended from main production areas in Upper Awash, Zuwayi, and Awassa. Speakers included Jonathan Parkin, principal shareholder of Caginternet; Peter Francombe, General Manager of Seminis East Africa; Mike Yaniv and Guy Luria of Netafim; Tadesse Abrham, Managing Director of Awassa Green Wood; and Yorem Perets, Managing Director of Tabor Herbs. Presentation topics ranged from UK market potential for vegetables to EurepGap requirements, packhouse management systems, good agronomic practices, and the transfer of drip irrigation and other technologies.

The Project also sponsored a mini Trade Fair in Awassa for members of the supply industry to establish contact with growers, and demonstrate product range. Participating companies included Ethiopian Airlines, General Chemical Trading, Nazareth Tractors, Moplaco (shade cloth), Hitec Trading (punnets and packaging), the Crop Life Association (safe-use training in agrochemicals), the Awassa Agricultural Research Station, the Soil Science department of Hawassa University, and SNV, the Dutch development agency.

One immediate result is that Caginternet, a UK marketing company specializing in exotic vegetable sales to supermarkets, is negotiating with a group of ATEA client exporters to supply a range of vegetables to the British supermarkets. Products would include mangetout, sugarsnaps, chillies, asian vegetables and babycorn.

The Project is also concentrating on building a summer flower industry in Ethiopia, with demonstration sites already planted for hypericum and oriental lillies at higher altitude zones around Addis Ababa. A range of open-field, shade-cloth and tunnel systems – at various altitudes and micro-climates – are also being tested for zantedeschia, peonia, eryngium, ranunculus, and solidago. Summer flowers

require much less capital investment than roses and other higher-value cut flowers (lending themselves to smallholder production), but can piggy-back onto existing market linkages, in demand by the same EU buyers and distributors.

Concerns with sufficient airfreight capacity, production seasonality, southbound cargo, inconsistent postharvest handling infrastructure and logistics, and grower certification have all been identified as enabling environment issues of strategic importance for the Project, EHPEA, client farmers, and perhaps most importantly, overseas buyers. ATEA is also working closely with Wageningen University (Netherlands), which is drafting a Code of Conduct for the floriculture industry, and providing specialist input on its relevance to the vegetable export industry.



Wet Coffee Pulping Station, Jimma

COFFEE SECTOR

The Project is entering into partnerships with exporters to expand existing markets, and develop new ones; and design common marketing strategies within and outside of the country that will successfully promote the Ethiopian brands, resulting in substantial sales increases. The ATEA production team works on the ground with producer associations and millers to improve quality and productivity, while the ATEA investment team (see below) organizes commercial loans.

An inward buyers' mission has been arranged for next month to Ethiopia, one of several planned for the 2006/2007 season – the next one will be in February, timed to coincide with convention of the East Africa Fine Coffee Association, and the third and largest will be next autumn. Participation by Ethiopian exporters is also planned for specialty coffee shows in the US (April), and in Japan (August).

Willem Boot (Boot Consulting) is a senior sectoral advisor on ATEA, and the founding principal of E-Café, a non-profit foundation that works with cooperative farmers worldwide to promote and market coffee directly. The latest E-Café on-line auction last month sold a quarter million US dollars of Ethiopian coffee in a half-day, and the Project will support efforts to make next year's auction even bigger. One lot achieved a record price of \$10.65/lb.

Boot is also working on positioning Ethiopia to play a leading supply role to emerging coffee markets in Australia, New Zealand, Taiwan, and China.

ATEA has additionally entered into partnership agreements with five coffee mills, and as part of that effort, is installing small cupping labs in each one, and training two cupping & quality inspectors per facility.



Parchment coffee, DTC.



Graduated Vet Trainers, Gonder.

HIDES, SKINS & LEATHER

Hundreds of extension workers, private sector employees, producers and traders have already been trained in ectoparasite control and treatment, and in better harvesting, curing and logistics of hides and skins, and almost one thousand will be project-certified by January, as part of USAID's road map to revamp the country's hides and skins value chain.

Establishment of new collection centers for hides and skins in all major cities is currently underway in conjunction with regional government offices and the Ethiopian Tanners, Footwear and Leather Products Manufacturers Association. These will be operated by project-certified technicians. Cities are targeted since the high concentration of slaughtering takes place there.

It is anticipated the resultant quality and quantity upgrade of raw hides and skins delivered to tanneries will at minimum double existing earnings for tanners, substantially increase returns to farmers, and encourage investment so that more value-added tanning and manufacturing takes place in-country.

The Project has also launched a "Competitiveness Cluster" for the HSL industry, in which private and public sector leaders are actively participating in a year-long, comprehensive effort aimed at improving performance across the entire value chain. The first phase focuses on consensus identification of critical issues impeding trade expansion in priority order, with the next phase concentrating on development of action initiatives designed to break through impediments with new policies, private sector initiatives, and private/public sector partnerships. The first session kicked off with more than forty participants at a half-day workshop in mid-August, facilitated by world-renowned competitiveness expert Ted Lyman (Economic Competitiveness Group), and a keynote presentation by the Hon. Tadesse Haile, State Minister in the Ministry of Trade and Industry.

STAFF LIST

Management Team

Steve Humphreys, *Chief of Party*
shumphreys@fintrac.com
Atsede Yohannes, *Project Accountant*
atsede@fintrac.com
Tirsit Sisay, *Office Manager*
tirsit@fintrac.com
Meheret Mersia, *Administrative Assistant*
meheret@fintrac.com
Tewodros Getachew, *M&E Specialist*
tewodros@fintrac.com
Wubeshet Tadesse, *IT Specialist*
wubeshet@fintrac.com
Yilma Woubishet, *Logistics Coordinator*
yilma@fintrac.com
Tehetena Gezahegn, *Data Encoder*
tehetena@fintrac.com

Horticulture

Ian Chesterman, *Horticulture Manager*
ichesterman@fintrac.com
Melaku Tedla, *Horticulture Field Adviser*
melaku@fintrac.com
Semret Kifleyesus, *Horticulture Agronomist*
semret@fintrac.com
Eskinder Kebede, *Horticulture Agronomist*
eskinder@fintrac.com
Sinishaw Belay, *Horticulture Agronomist*
sinishaw@fintrac.com

Coffee

Abayneh Alemu, *Coffee Manager*
abayneh@fintrac.com
Tsfaye Negash, *Coffee Agronomist, Awassa*
tesfaye@fintrac.com
Getachew Zeleke, *Coffee Agronomist, Jimma*
getachew@fintrac.com

Hides, Skins and Leather (HSL)

Teshome Kebede, *HSL Manager*
teshome@fintrac.com
Dr. Kassa Bayou, *HSL Veterinarian*
kassa@fintrac.com
Alemayehu Tafesse, *HSL Technician*
alemayehu@fintrac.com

Oilseeds

Aschenaki Gebrehiwot, *Warehouse Receipts Specialist*
aschenaki@fintrac.com

Trade and Investment Team

Ian Sherry, *International Investment Manager*
isherry@fintrac.com
Masresha Yimer, *Market Information Specialist*
masresha@fintrac.com

OILSEEDS & PULSES

Initial ATEA focus in this sector is on:

- Regaining Japanese market share for sesame
- Decreasing brachid investment on pulses
- Coordinating model warehouse receipts activities within selected crops and areas in conjunction with the private sector and EGTE
- Capacity- strengthening/collaboration with POSPEA.

Future Monthly Updates will report in more detail on the training and technical assistance being provided to extension workers and farmers on brachid eradication, and on the crops and areas selected for testing warehouse receipts. The first project activity on capacity-strengthening and collaboration has already been completed, which was an unprecedented industry meeting coordinated in conjunction with POSPEA, in which a range of public and private sector decision-makers discussed challenges.

The project is further along on sesame. Buyers report that increasing competition is threatening Ethiopian exports, and a widely disparate range of product quality is a threat to market share. ATEA is therefore prioritizing insect control, resolution of DDT residue issues, and introduction of shatter-resistant varieties to reduce harvest losses. We will work on conservation tillage to reduce production costs, and improve environmental stewardship, and work towards the issuance of export certificates to ensure grades and standards adherence to market specifications. Finally, the branding of sesame origins is a critical ATEA activity, especially given the premiums (and current mislabeling problems) for white sesame from Humera.

TRADE, INVESTMENT & POLICY INITIATIVES

Business planning and investment services have been provided to ten companies across sectors, with the initial three successes reported in the coffee sector. Two commercial bank loans for working capital have been leveraged to date, each for one-half million US dollars, utilizing the USAID loan guarantee scheme. One recipient, local processor Amaro Gayo Coffee, is projected to triple sales as a result, and incrementally increase the incomes of nine hundred outgrowers in the remote Amarao region.

The other private sector recipient, DTC, is the local partner of the Seattle-based Dominion Coffee. DTC was also able to take advantage of the ATEA Technology Fund through the cost-shared purchase of an eco-friendly pulping machine that not only meets buyer specifications, but uses one hundred times less water than previous equipment.

Annual export sales for DTC as a result of this assistance are projected to increase up to 31 containers within two years. This will impact on the incomes of the 1500 DTC outgrowers through not only exponentially increasing bean demand, but also because the company's 60-40 profit-sharing arrangement stipulates that twenty percent of profits go directly to growers, with another twenty percent contributed to community schools, clinics, and other activities.

The Project additionally initiated new supply and market linkages for a newly-formed coffee processing firm located in Agre Mariam, which is comprised of 680 farmer-shareholders on 900 hectares, simultaneously advising them on an investment strategy of phasing in equipment and installation procurements that will save hundreds of thousands of loan dollars.

On policy initiatives, in addition to the enabling environment issues being identified by clients and sectoral teams, the Project has also been advising public and private sector counterparts on AGOA and WTO challenges and opportunities, most recently through debriefings for a senior-level Ethiopian delegation and USAID counterparts in Washington DC.