



USAID
FROM THE AMERICAN PEOPLE

MONTHLY UPDATE – June 2006

ETHIOPIA AGRIBUSINESS AND TRADE EXPANSION ACTIVITY

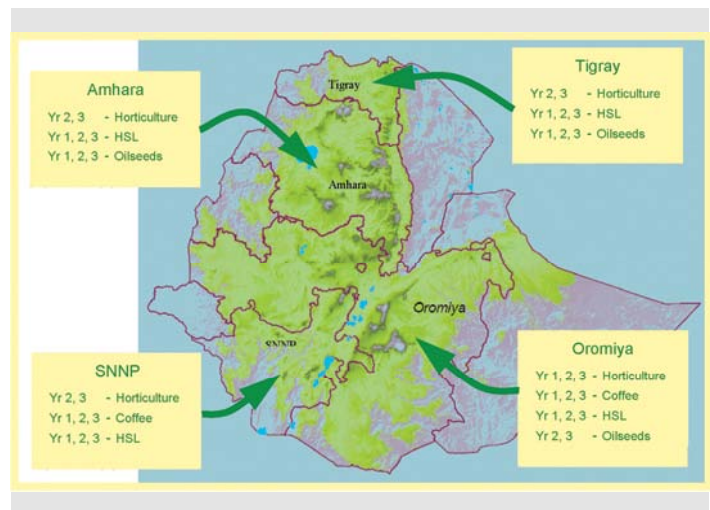
Welcome to the Agribusiness and Trade Expansion Activity, a five-year project funded by the **U.S. Agency for International Development**, and implemented by **Fintrac Inc.**, working with partners, **Boot Consulting**, the **Economic Competitiveness Group**, **Manchester Trade**, and the **Rainforest Alliance**. This project, scheduled to run from 2006-2009, provides clients with an integrated program of technical assistance and training focusing on four agricultural subsectors of major importance to Ethiopia:

- Horticulture
- Oilseeds
- Coffee
- Hides, Skins and Leather products

The project offers a bold, integrated approach to developing the agriculture sector by targeting farmers and allied agribusiness for assistance, including processors, traders and exporters, in order to improve the competitiveness in the sector. The ultimate aim is to increase productivity, raise farmer incomes, boost agribusiness sales, and dramatically increase Ethiopia's agricultural exports.

This bulletin presents the monthly highlights of project activities, including details of our work with farmers and allied agribusinesses in each of these targeted subsectors. We will also present the results of our work as they emerge, including: client success stories; the impact of improved agricultural practices on productivity and incomes; investments in new technologies; and the resulting growth in Ethiopia's agricultural exports.

As of the end of June the Project offices have been completed, IT and phone systems installed and running, project vehicles have cleared customs and have been delivered, and logistically the project is fully operational. Staff have turned their attention to finalizing sectoral workplans which includes identifying partners, agreeing to intervention activities, and beginning field work.



Counterparts

During the first few weeks on the ground, the project team met with representatives of the project's major counterpart organizations in Ethiopia. These include:

- Ministry of Agriculture and Rural Development (MoARD)
- Ministry of Trade and Industry (MoTI)
- Ethiopian Grain Trade Enterprise (EGTE)
- Ethiopian Horticultural Producers and Exporters Association
- Oilseeds Association
- Coffee Exporters Association

Discussions focused on the coordination of activities with counterparts at the field level, and the provision of input and advice on planned programming in areas targeted for assistance and selection of clients.

USAID Ethiopia Agribusiness and Trade Expansion Activity

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

HORTICULTURE SECTOR

The Horticulture Team, comprised of Sector Manager Mr. Ian Chesterman as well as three Horticulture Agronomists, Mr. Melaku Tedla, Mrs Semret Kifleyesus, and Mr. Sinishaw Belay. Two additional technicians, one who will work intermittently on horticulture as well as oilseeds, are still being recruited.

The following activities have been completed during the month:

- Field technicians were trained in the use of their portable office equipment including laptop computers and printers, digital cameras, and agronomic testing equipment including tensiometers, pH meters, soil nutrition testing equipment and global positioning system devices. The technicians will now have the capability to be posted in their field locations on a full time basis, and through dial-up connection, be able to send and receive technical information on production and market information that can then be provided directly to their clients.
- The initial work focus was on field visits to potential lead clients (growers), coordinated with Project partner the Ethiopia Horticultural Producers & Exporters Association (EHPEA), in the zones of Koka, Zuwayi, Awassa, Upper Awash, as well as the highland flower zone around Addis Ababa. The key high value export fresh crop potential in these areas include strawberries, green beans, chillies, papaya, herbs, and flowers such as hypericum, carnation and gypsophila. The potential for outgrower production of horticulture products for processing at the Merti factory and exported through Djibouti to Middle East locations have been identified and include tomato paste and fruit juice.
- Institutional and manpower-development links were established with a visit to Jimma University and the Jimma Agricultural Research Station. The Project has identified weak farm management as a critical constraint to the growth of this sector and will institute a post-graduate apprentice program through Jimma University.
- A major three-week program in applied agronomic practices for the Coffee and Horticulture sectors was finalized and senior technical staff from Fintrac's home office and field office in Uganda were scheduled to arrive. The training included interactive site visits to growers to include specific sessions on agrochemical application techniques, irrigation management and design, crop production manuals, smallholder development and EurepGAP implementation and as a result activities with lead clients will be jump-started in the following month.

COFFEE SECTOR

The Coffee Sector Team composed of Sector Manager Abeynah Alemu and Coffee Agronomists Tesfaye Negash and Getachew Zelaga. In June the team worked to identify lead client cooperatives and private mills two work with in the targeted production areas around Awasa and Jimma. In addition to completing planning for the first year program, the team finalized the scope of work and received approval for coffee quality improvement and marketing specialist Willem Boot from subcontractor Boot Consulting to begin his program in Ethiopia. This visit is scheduled for July. As a result of this visit the Coffee Sector will finalize its lead partners as well as its schedule of quality improvement trainings, cupping and marketing events, and inward investor missions.



Agronomist training in testing equipment



Coffee depulper

COFFEE PROGRAM SUPPORTS GDA CLIENT

The Project also began to work in earnest with lead coffee partner, the milling company DTC Holding and their US partner Dominion Trading Company of Seattle. DTC, with a mill in Yirga Cheffe, has a program to reward farmers for delivering quality beans for processing. Last year, the first of their program, 1,500 growers received a significant premium because of their coffee quality, and passed these dividends back to their growers. This year's harvest, scheduled for September, anticipates larger volumes of coffee cherries as more farmers join the program. In anticipation higher volumes at the mill, DTC wants to install new depulping equipment that is more eco-friendly. Eco-friendly pulpers dramatically reduce the amount of water required for depulping. Waste water from this process is a major polluter in coffee processing, and buyers in the EU and the US, target markets for Ethiopian coffee, are increasingly insisting on environmentally-responsible production and processing. With this equipment DTC will be able to increase its processing capability from 4 containers last season to 17 this season. In the words of Mike Stemm, Dominion's President, their association with the Project has "...opened several doors of opportunity for us, all of which will enhance our long term viability in Ethiopia."

The approach the team is using with DTC will be replicated as we work directly with at least 30 lead cooperatives and private millers over the coming three years, as well as with at least 4,500 individual coffee growers.

HIDES, SKINS & LEATHER

The HSL sector is composed of Sector Manager, Mr Teshome Kebede, Veterinarian Dr Kassa Bayou and Harvesting Technician Mr Alemayhou Giorgis. During the month of June the team moved forward with its plans to improve raw material quality and supply.

Activities included:

- Training curriculums for immediate programs designed and printed. Preparation of other audio visual training aid materials in hand.
- Potential Lead Clients and Lead Partners both in the cooperating and benefiting groups identified and finalized, with a target of 45 lead partners.
- Scheduled 35 training events in ectoparasite control and 40 training events in hides and skins harvesting and other interventions period July through December 2006. These will take place in Amhara and Oromia regions initially with a total of 920 people going through a Training of Trainers program.
- Planning for activities to be undertaken during the visit of subcontractor Economic Competitiveness Group (ECG) in connection with establishing a leather sector cluster in Ethiopia finalized with key partners to be included in the cluster identified for finalization with ECG consultant Ted Lyman in August.

OILSEEDS/PULSES SECTOR

The Oil Seeds Pulses Sector Team is currently composed of the Warehouse Receipts Specialist Mr. Ashenaki Gebrehiwot. A Marketing Manager and Agronomist for the Tigray region are still being recruited to fill out this team. During the month of June the following activities have been accomplished:

- Potential Lead Clients and Lead Partners both in the cooperating and benefiting groups identified, with a target of working with 30 lead partners.
- Agreement has been reached with the Ministry of Agriculture and Rural Development (MOARD) to include Mr Aschenaki on their Project Implementation Unit tasked with implementing a warehouse receipts system which will be one of the pre-cursors leading up to the formation of a commodity exchange. The commodity exchange program, which will streamline grain marketing in general, including oilseeds and pulses, which will increase the international competitiveness of the sector, resulting in higher sales and incomes.



Sheepskin selection upon arrival at tannery

PROJECT PARTNERSHIP WITH PITTARDS PLC

Ethiopia produces some of the finest sheep and goat skins in the world—ideal for making top grade fashion gloves and suede for garments. In fact names given to high quality leather, such as *Bati Genuine* for high end goat suede and *Sellalie Genuine* for a specialty variety of hair sheep skins, are named after Ethiopian provinces where these goat and sheep species originated. However over the years the quality of raw skins has declined significantly, caused by ectoparasite infestation of the animals' skin, resulting in over 80 percent rejection rates being reported by some Ethiopian tanneries.

The Agribusiness and Trade Expansion Activity is working closely with one of the world's leading suppliers of glove leather, UK-based Pittards PLC, to upgrade of quality of the raw skins delivered to their tannery by supporting a broad-based ectoparasite treatment program. Initially an area north of Addis called Lalomama has been targeted since the sheep population in this area is very high and this is a primary source of raw material for tanneries. A pilot study involving treatment of 1000 sheep will start in the coming weeks, and three months after treatment the skins from these animals will be evaluated by Ethiopia Leather Tannery which Pittards manages. Traceability systems will be put in place to allow tracking of the skins so that improvements in the treated animals can be documented. Lower rejections and increased numbers of skins meeting top grades will mean improved prices (at least double the existing price) to sheep farmers in Lalomama. It has been estimated that the treatment program costing one birr per animal will yield as much as 22 birr in return on the skin alone—rates of muscle gain will also be accelerated once the skin is disease free, so returns to farmers will be significant. The Hides, Skins and Leather Sector will work to improve raw material quality to increase returns to farmers, as well as encourage investment in the sector so that more value-added tanning and manufacturing processes take place in Ethiopia, adding much needed jobs and export earnings to their economy.

TRADE AND INVESTMENT

The Trade and Investment Sector Team is composed of Sector Leader and International Investment Advisor Mr Ian Sherry, Investment Finance Specialist Fekade Lakew, Market Information Specialist Masresha Yimer and IT Specialist Wubeshet Tadesse. The Trade and Investment Team provides assistance to each product sector in business development services, investment advice and promotion, and supporting inward trade missions. During the month of June the team:

- Clarified investment incentive programs with three banks involved in the USAID loan guarantee facility, Bank of Abyssinia, Dashen Bank, Awash Bank. This program is designed to promote lending to agribusinesses for equipment, seeds, and other capital improvements in order to improve the productivity and competitiveness of the agriculture sector.
- Working with the Coffee Sector to secure a letter of credit so that DTC Holding can purchase and import eco-friendly coffee processing machinery. This deal will include a 50 percent cost-sharing grant from the Project's Technology Fund.