



USAID
FROM THE AMERICAN PEOPLE

MONTHLY UPDATE – February 2007

ETHIOPIA AGRIBUSINESS AND TRADE EXPANSION ACTIVITY

“Increasing Rural Incomes and Employment”

NOTE FROM THE PROJECT DIRECTOR

Specialty coffee was in the spotlight this month, as international buyers had an opportunity to learn about the range of high quality and specialty coffees available from Ethiopia at the East African Fine Coffee Association (EAFCA) conference, held in Addis. The project carried out two major events during the conference, including an outcry auction and Barista Championship. Both events were the first ever held in Ethiopia. This event attracted a number of international coffee buyers, and resulted in sales of around \$150,000. The Barista Championship was won by Mr. Mifta Sultan, who will represent Ethiopia at the World Championships in Japan in July.

The horticulture team is continuing efforts on the production of export vegetables while preparing for the Hortiflor Exhibition in Addis at the end of March. This event will attract a large number of international buyers and investors responding to Ethiopia's potential for supplying high quality horticultural exports.

The Hides, Skins and Leather (HSL) sector continued its ambitious training program for Ectoparasite control as well as proper flaying and skinning practices. The 3rd HSL Industry Cluster group also met this month. The Cluster is now getting significant buy-in from private companies who are beginning to take ownership of the initiative.

Activities in the oilseeds and pulses sector have been concentrating mainly on pulses production in the Rift Valley, as we are currently in the planting season. The team is also working with Melkassa Research Institute to select new pulse varieties to meet the needs of the market, and is forming partnerships with local stakeholders to increase production. World demand for certain varieties of white haricot beans is growing, and feedback received from buyer partners is helping to ensure that client product meets international standards.

*Steve Humphreys, Chief of Party,
Ethiopia Agribusiness and Trade Expansion Activity*



Ethiopian coffee lots for auction at the 2007 East African Fine Coffee Association conference.



Training at cupping laboratory in Jimma

This project is implemented by Fintrac Inc., a US agribusiness firm. Consortium members include Boot Coffee Consulting & Training, 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”

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HORTICULTURE

Vegetable export trials this month included the first shipments of mangetout (snow peas), sugar snap peas and baby courgettes from Prins Vegetables in Ziway to wholesale customers in the Netherlands. Feedback from buyers on product quality was positive, reflected in the average prices received of US\$6.00–US\$7.00 per kg, sufficient to provide a sustainable margin to the client. Added-value opportunities including pre-pack will be exploited in the future, depending on suitable packaging and packhouse accreditation. Similar exports from the remaining trial sites will ship in March.

The US Ambassador to Ethiopia, the Honorable Donald Yamamoto, extended significant support to the project during discussions with principals of Ethiopian Airlines. The strategic opportunities associated with improvement of the perishable handling capacity at Bole International Airport in Addis Ababa were a feature of the meeting.

The British Ambassador to Ethiopia, the Honorable Robert Dewar, visited the project's demonstration site at Chancho Flowers, located about 20 km north of Addis Ababa. The farm's co-owner, Ms. Samrawit Moges, explained the farm's role as a demonstration site for the linkage between smallholders and commercial outgrowers, as well as the challenges associated with infrastructure and financing.

The project's marketing consultant, Mr. Jonathan Parkin of the UK, conducted a market linkages visit to the Fruit Logistica exhibition in Berlin, Germany, on February 8th and 9th. Expressions of interest for the sourcing of Ethiopian produce in significant volumes were obtained from eight EU marketing organizations concerning exotic vegetables, soft fruit, fresh herbs, and grapes. Additional details of these marketing opportunities will be reported in March, following the attendance of several international buyers at the Hortiflora Exhibition, to be held in Addis Ababa from March 21st to 23rd.

Other industry initiatives included the completion of the data-collection component of the project's pesticides study, including a review of the new draft Pesticides Registration Act. The final study will be published in March. A presentation of the project's environmental management plan for horticulture was made to the Senior Regional Environmental Officer for USAID, Mr. Walter Knausenberger, which identified the practical environmental priorities for the year ahead. These will focus on the safe-use of pesticides on-farm, development of an effective IPM pilot program for the floriculture subsector, and the widespread implementation of international standards of Good Agricultural Practices (GAPs).

SPECIALTY COFFEE

In February, the coffee team and clients participated in this year's 2007 East African Fine Coffee Association (EAFCA) exhibition, the first to be held in Addis Ababa. The main activities included a tradeshow exhibition,

Horticulture Activities



Prins Vegetables preparing initial export trials of snow peas and snap peas for the Dutch market.



British Embassy visit to a project-developed smallholder demonstration plot using gravity-fed drip irrigation. The Embassy is considering funding a smallholder drip irrigation program in partnership with the project.

conferences, the first ever Barista championship, and the first ever outcry coffee auction. The tradeshow provided an opportunity for project clients to introduce their coffees to buyers and roasters at the project's booth to over 600 conference participants, including producers, exporters and buyers from Asia, Europe, the Americas and the Middle East.

Prior to the conference, 32 local baristas were competitively selected to participate in the 2007 Addis Ababa Barista Championship. After a series of pre-screening competitions, the top five baristas were selected to compete in the championship before a panel of international barista judges. The winner, Mr. Mifta Sultan of Addis Ababa, received a \$250 award and will participate in the International Barista Championship to be held in Tokyo in July.

Twenty-six (26) coffee lots were presented at the outcry auction, including 21 lots from Ethiopia. Of these, 13 lots were sold, including 12 from Ethiopia, and one from Zambia.

The total value of Ethiopian auction sales was \$145,834.39, while the remaining lots were all sold post-auction. These sales will be reported in the next Monthly Update.

In addition to the EAFCA events, the team made field visits to Mizan, Teppi, Green Coffee Gemadro Agriceft Plantation, and Limu Kossa Coffee Plantation this month. In Mizan and Teppi, newly established mini cupping laboratories are functioning where project-trained cuppers assess the quality of local coffees. Union leaders and agricultural officials expressed appreciation for the labs, and assisted the team in selecting farm demonstration sites in these areas as well as Jimma.

Also this month, the project's coffee team conducted a seminar on environmental and worker welfare coffee certification programs, including Rainforest Alliance certified coffee for MOARD and other stakeholders. The project is supporting the establishment of a Rainforest Alliance certification program for Ethiopia that will commence next month.

HIDES, SKINS AND LEATHER

The HSL team visited the major hides production areas in SNNPR. Russian buyers are showing interest in semi-processed hides. A trade mission is being arranged for hides exporters to travel to Russia in March. The mission is expected to yield several initial orders for the export of semi-wet blue and crust hides to this new market for Ethiopia's HSL industry.

Blen Development Plc has continued construction of the 1-2 year-old crocodile ponds at a farm in Arba Minch. These ponds are urgently required to ensure space for the hatchling harvest of April. Blen has been assisted with development of their business plan and the loan application to the Development Bank of Ethiopia. The total investment is \$875,000, of which the project contribution is \$21,875 or 2.5 percent. The farm is expected to bring about US\$600,000 in export earnings from the shipment of 3,000 crocodile skins and meat per annum beginning at the end of the year.

This month, the team trained 42 veterinarians in the control of animal diseases that spoil hides and skins as well as 95 technicians and hides & skins collectors. This bringing the total number of technicians trained to 1,095 throughout the four target regions. The project also organized two rounds of an Ectoparasite control campaign in Lalogera as part of the regional government's campaign that resulted in treatment for nearly 600,000 goats and sheep.

The HSL team also conducted the 2nd leather industry competitiveness Cluster Working Group (CWG II) with the presence of 38 prominent business and government leaders. Five action initiatives were added to the existing cluster business plan that are expected to increase export volumes, quality and sales.

Hides, Skins and Leather (HSL) Products



Wet salted hides and skins ready for delivery to tanners at Wondi Trading, SNNPR (southern region).

Oilseeds and Pulses



Trials for the production of Haricot beans under drip irrigation are being carried out in Ziway.

OILSEEDS AND PULSES

Haricot beans, which grow in Rift Valley, Eastern and Western Hararge, are a crop with major export potential. Plans were commenced with Melkassa Research Center and other stakeholders such as Agricultural Commodities Supply (ACOS) and Catholic Relief Service (CRS) for the distribution of Haricot seed in the region. Last year, belg Haricot bean production was found to have 16-18 percent rejection rates, and cooperatives spent \$100,000 per year transporting reject material. The project is developing a plant for investing in pre-cleaning and modern warehousing to help mitigate this problem and add value at the farmer level.

The farmers grow white pea beans for export by processing company ACOS, based in Nazareth. At present, the Business training for the cooperatives will start in March.

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The project is also working with Zi-ANDETA Farm in Ziway/Dodelcha to introduce drip irrigation for Haricot beans production. Production trials are being carried out now for three Haricot varieties – Awash Melka, Red kidney, and Awash 1 – to determine the feasibility of producing these beans under drip. If successful, it would introduce the possibility of Haricot beans as a potentially lucrative rotation crop for vegetable growers.

A field visit was carried out to the major Niger seed production areas of Ambo. Niger seed is Ethiopia's second largest exportable oilseed crop after sesame. Last year, an Ambo-based cooperative union with 44 cooperative members and 48,000 farmers exported 1,000 MTs of Niger seed to the US. The shipment was unsuccessful due to poor product quality and late delivery. The project is developing a program for improving the quality of the union's Niger seed exports.

TRADE AND INVESTMENT

The capital expenditures requirement on the project will exceed \$100 million if the trade expansion goals are to be reached. At present there is a severe shortage of finance caused by the commercial banks' insistence on fixed asset collateral; the rural poor do not have fixed assets on title deed land and are therefore unable to access the loans needed for their investments. The existing USAID loan guarantee scheme provides an effective substitute for fixed asset collateral but is capped at \$14 million - well short of the project requirement. The ATEA team has conceived an ambitious plan to put in place a loan guarantee scheme of \$300 million backed by a consortium of donors led by USAID. A concept paper is being prepared for distribution among all the main players in development financing in an effort to get buy-in before preparing a detailed plan.

In the horticulture sector, DFT Packaging PLC has finalized its business plan and will be guided through a loan application process. Investment partners have been identified within the diaspora and negotiations are in hand. Total investment is \$500,000 with an expected turnover of \$2,500,000.

In the coffee sector, new clients continue to be identified and assisted with business planning. Following the results of the Coffee Auction organized for the EAFCA conference, producers and exporters are more aware of the value of natural, sun-dried coffees over washed coffees. As a result, investment in the next year will focus on improved sun-drying beds. Organic Certification for 3,747 farmers was arranged through five partners in the sector and is now complete.

In HSL sector, Atlas Plc is being assisted with business planning for a shoe factory with estimated output of 1,000 pairs daily. The feasibility study for upgrades at Sululta Abattoir is complete and a design engineer identified to prepare layouts and recommend new equipment and machinery. This business has significant income from sale of hides, with a potential turnover of \$500,000 per year from an investment of \$300,000.

In the oilseeds and pulses sector, Prosper International's business plan for cleaning and de-hulling sesame seed was well-received by Dashen Bank and loan approval is expected soon. The value of the fixed investment is \$450,000 with a projected turnover of \$6 million per year. Project assistance from the Technology Fund is under consideration for the purchase of the de-hulling machinery. Al-Impex has also submitted a business plan for a new cleaning plant in Humera which is under review. An investment opportunity for 6 cooperatives in Harar has also been identified in the pulses sector.