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## MONTHLY UPDATE – January 2007

# ETHIOPIA AGRIBUSINESS AND TRADE EXPANSION ACTIVITY

*“Increasing Rural Incomes and Employment”*

### NOTE FROM THE PROJECT DIRECTOR

The horticulture sector continues to generate a great deal of buyer interest that it is trying to meet with adequate volumes of quality product. This past month our clients received training in EurepGAP and BRC requirements from Farm Produce Technology of Kenya, a leading horticulture training organization. We also welcomed Fintrac’s Senior Agronomist/Entomologist Dr. Richard Pluke, who is conducting a PERSUAP study to help classify pesticides currently in use in ATEA sectors. The horticulture sector is preparing for HortiFlora, the industry’s biannual trade event in March, which promises to bring in a number of international buyers and investors.

It was a month of intense activity for the coffee group as we prepared for Ethiopia’s first-ever hosting of the East African Fine Coffee Association (EAFCA) Trade Show. In addition to efforts to identify and select specialty coffees for an open-outcry auction, ATEA was assisted by Coffee Corps volunteers Chris Hallen, who helped with pre-selection of coffees for the auction, and Erika Hernandez, who trained members of the Ethiopian Coffee Exporters Association on how to negotiate export contracts with buyers.

The HSL sector is winding up its massive quality improvement training and has leveraged a number of donor projects to jump-start the livestock spraying program, all geared towards increasing the volume of quality hides and skins for the tanning industry. There is also new interest in investing in manufacturing. In oilseeds/pulses, we are collecting baseline information for the coming sesame planting season and also working with the pulses industry to expand production of popular varieties. Support to value-added processing (hulling/cleaning) is also being provided.

As well as working on production and quality issues the project is going to link in health training for our farmer clients through work with two USAID-funded health NGOs, Pathfinder International and Population Services International, to provide training on the awareness and prevention of HIV/AIDS and Malaria.

Our third Steering Committee Meeting took place on January 25<sup>th</sup>, where we agreed to include new *ex officio* members from the private sector such as Pittards PLC, representatives from the banking sector, and Ethiopian Airlines. This forum provides a rare opportunity for the private and public sector to meet about key issues constraining competitiveness in our target sectors.

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



Photo courtesy of Fintrac

*In the laboratory of ECEA, coffee samples received for the open outcry auction being cupped to rank their quality attributes.*

*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 geographic regions of Ethiopia. For more information, please contact:*

#### **USAID Agribusiness and Trade Expansion Activity**

*“Increasing Rural Incomes and Employment”*

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**HORTICULTURE**



*Photo courtesy of Fintrac*

*Trials such as this for cabbage using a Seminis Seed hybrid will be ready for the upcoming HortiFlora Trade Fair.*

Trials of mangetout, sugar snap peas, chillies, babycorn and courgettes were planted throughout January with eight lead clients at sites ranging from Awassa, four hours south of Addis at 1,550 meters, to Sebetta, 20 kilometers west of Addis at 2,400 meters. Detailed field-work and production blueprints were demonstrated on-site with each grower, together with the associated value-chain financial analysis for each crop. It is anticipated that production and export from these trials will coincide with the HORTIFLORA EXPO on March 21, 2007, providing an exciting opportunity for inward-buyer linkages.

The project brought in a specialized training organization, Fresh Produce Technology–Kenya, to conduct a comprehensive train-the-trainer course on EurepGAP standards and implementation in Ziway for twenty growers, followed by individual site visits and recommendations. A parallel series of BRC training workshops were held on-site with four leading lead client packhouses that handle soft fruit, bobby beans, chillies and vine-ripened tomatoes for export. The emphasis on Good Agricultural Practices (GAPs) and record-keeping systems, as well as advice on how to implement these practices, is the foundation for individual client certification later this year that will open new high-value markets for these businesses.

Another objective is our market-led initiative for export growth in all product categories. We were encouraged to see an article in the December edition of Eurofruit magazine that featured one of our lead clients in the grape industry. This article was a result of the project's sponsorship of a delegation to the Cairo Congress, which resulted in marketing enquiries from one of the EU's leading grape importers. Although widespread expressions of interest for sourcing high-value vegetables from leading EU importers are encouraging,

the challenge for the project continues to be matching this potential with consistent production capacity of Ethiopian growers.

The project conducted a Pesticide Evaluation Report and Safer Use Action Plan (PERSUAP) as part of an overall environmental impact and management strategy for our integrated pest management (IPM) plan. Dr. Pluke, assisted by a local consultant from MoARD, is carrying out this work in January for publication in February. The PERSUAP is a valuable tool to inform ATEA and the Ethiopian Government about pesticide regulations that conform to requirements of buyers in our target markets.

**COFFEE**



*Photo courtesy of Fintrac*

*Joseph Brodsky training Barista championship candidates at the Red Bean Café, Addis.*

This month the coffee team is preparing for the Eastern African Fine Coffee Association (EAFCA) 2007 trade show to be held for the first time in Ethiopia on February 15-17. It is anticipated that 500 delegates, including 200 coffee buyers, will attend from the 10 participating EAFCA countries as well as from the Americas, Europe and Asia. Activities planned by the project include booth sponsorship that is cost-shared with our lead coffee clients and □ for the first time □ an open-outcry auction and a barista championship.

ATEA requested samples from cooperative unions and private millers for outstanding coffees which would be auctioned in 1.5 metric ton lots. We received 39 samples, of which 34 qualified as "Q" coffees (specialty). Twenty-three were selected for distribution to more than 20 importers/roasters in North America, Europe and Asia. Prices at least 50 percent above commercial grade are expected, which means considerable premiums for the mills and coffee growers. ATEA has a target of increasing specialty coffee sales by \$57 million. Currently it is estimated that only 2 percent of Ethiopian

coffee enjoys specialty status, whereas some experts say up to 50 percent of exports could qualify.

Another first for Ethiopia is the barista competition, also a part of the EAFCA. So far, 42 candidates from an assortment of coffee retail companies in and around Addis Ababa are participating. According to Joe Brodsky, a consultant and part-owner of Denver's Novo Coffee, barista events help raise coffee quality awareness among consumers. This event will add to the "buzz" among buyers at EAFCA for the high quality and distinctive coffee flavors available in Ethiopia.

Another important training event was held this month for 26 Ethiopian Coffee Exporter Association (ECEA) members. Erika Hernandez, a Coffee Corps volunteer, discussed steps and strategies for sales and contract execution, which was a key issue at November's coffee roundtable.

Low-cost cupping lab installation is nearing completion in four of the five locations selected, Konga-Yirgacheffe, Wotona Bultuma-Sidama, Mizan and Teppi. The remaining lab for Gololcha (Harar) will be installed in February.

Now that the main coffee harvest season is over, our two agronomists have been training on rejuvenation (stumping) of old plantations, weeding and mulching. Forty farmers at 6 demonstration sites at Sibubba, Moplaco, Bagersh, SMS and Kassa Gebreyes have been trained this month. We have arranged for organic certification to begin for over 3,500 farmers working with lead clients Amaro Gayo, Dominion Trading, and Sibubba.

## **HIDES, SKINS, LEATHER**

Training of 42 technicians and hides and skins collectors in proper flaying, curing, grading and logistics of raw stock in Eastern and Southern Oromia region was carried out this month. The HSL team is also taking the lead in finalizing an agreement with the Ethiopian Tanners Association (ETA) where the tanning industry will contribute \$42,000 toward funding the ectoparasite control program, as well as \$27,000 from the USAID-funded ESGPIP for this treatment campaign. With these funds the industry sent out requests for quotations to supply the required equipment and select the most competitive domestic bidders to carry out the spraying program.

Working with MOTI and GTZ, who have agreed to provide \$25,000, the project will direct the development of a concept paper on tanning industry specialization. Leather manufacturing specialization, where plants concentrate on specific steps in the tanning process (for example pickling, wet-blue, finishing, etc.) is an international trend that is not practiced in Ethiopia. By specializing, the Ethiopian industry will be more competitive and will have less excess capacity, currently a key issue.

The HSL team, with assistance from the Trade and Investment unit, is helping to develop a business plan for a new footwear manufacturing plant that will require \$1.2 million in new investment, create employment for about 75 workers and produce 1,000 pairs of export standard shoes per day. If financing can be arranged, this project will be operational in one year.

Negotiations were held with UK-based Pittards Limited and US-based Champro Sports to develop a partnership with local manufacturers to produce leather goods for the export market by the second half of 2007. The activity is estimated to require \$500,000 in fixed asset investment and will export at least \$5 million in finished leather goods annually.

The first contact was established with leather buyers from Russia who were put into touch with the ETA for action. The first round of discussions is expected to happen before April and is estimated to result in several million dollars in earnings from the export of semi-processed hides.

There has been good progress with the HSL Cluster Working Group (CWG), including updating the association's Website to include market information and links to technical information on the Web. The second CWG meeting is planned for early February.

## **OILSEEDS AND PULSES**

The production of White Pea Beans and Red Kidney Beans is important for domestic consumption as well as exports. They also provide project clients involved in horticulture with a good rotational crop. The quality of these beans has improved of late and local buyers and agents of canning factories are offering better prices to producers.

The Oilseeds/Pulses team is working on improving both Meher and Belg season (mid February to mid April) bean production, looking at product quality and streamlining the marketing chain. We are beginning to work with Melkassa Research Centre in the Rift Valley, as well as clients Agricultural Commodities Supply (ACOS), QSAE and NGOs that already have activities in the pulses sector such as CRS and Harerge Catholic Secretariat. In addition we are exploring new and soybean production in collaboration with a French-funded NGO.

In Humera, our oilseeds agronomist Yibarek Liben has selected ten lead clients for the coming sesame production season. Two are smallholder cooperatives with 7,352 combined members, one commercial farmer association with 400 members and seven individual smallholder farmers. Baseline data being collected includes land area, current yields, agronomic practices and cost of production. Training and technical assistance packages will be introduced in preparation for the new planting season.

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*Photo courtesy of Fintrac*

*Agronomist Yitbarek Liben collecting production information on sesame production in Humera, Tigray region.*

Investments in equipment for hulling and cleaning grains are also underway. The Trade and Investment unit is assisting these enterprises with business planning services and loan applications through the USAID loan guarantee program. Details are presented in the next section.

## TRADE AND INVESTMENT

The Trade and Investment group continues to work with local businesses to access credit for new technology investments. In the horticulture sector, a new enterprise, DFT Plc., is being assisted with business planning to finance equipment for the production of corrugated boxes for flower and vegetable exports. Total investment sought is \$500,000 and annual sales turnover is estimated at \$2.5 million.

In the coffee sector, partner clients Sibub Edda and Limu Kosa Plc have started construction of their improved sun-drying beds partially financed through technology fund grants.

For the HSL sector, in addition to the Atlas Plc. business plan for a shoe manufacturing facility, client Sululta Abattoir has hired a private consultant and design engineer to complete the plans for installing new machinery and equipment. The Project has assisted them in applying for \$300,000 in financing, which will result in an additional \$500,000 per year in sales. Blen Development Plc, a crocodile farm supported by the project, has started construction of new ponds necessary for expansion. The project has assisted in the development of a business plan and a technology fund grant, while the group has applied for \$850,000 loan through the Development Bank of Ethiopia.

In support of the Oilseeds/Pulses sector, the team has helped Prosper International develop a business plan for financing the installation of sesame hulling and cleaning equipment valued at \$450,000, which will result in new sales of \$6 million per year. They have also started working on a business plan for a pulses cleaning plant in Humera. In addition to the overall investment in new technology from these activities, we estimate that more than 450 new permanent jobs will be created.

The Trade and Investment team completed four quarterly newsletters for client associations in each sector and prepared input prices for horticulture and oilseeds/pulses production. A description of loan conditions and criteria has been developed for use by the group and for our clients and a study on alternative sources of financing is underway.