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MONTHLY UPDATE – September 2006

ETHIOPIA AGRIBUSINESS AND TRADE EXPANSION ACTIVITY

“Increasing Rural Incomes and Employment”

PROJECT BACKGROUND

The Ethiopia Agribusiness and Trade Expansion Activity (ATEA), which began 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 objectives are to increase agribusiness productivity and farmer incomes, and increase export, regional and local sales in four of the country's most important sectors: horticulture, oilseeds and pulses, coffee, and hides/skins/leather (HSL). The project includes a cross cutting Trade and Investment function designed to remove policy constraints and improve access to finance. ATEA covers four regions in Ethiopia: Tigray, Amhara, Oromia and SNNP.

NOTE FROM THE PROJECT DIRECTOR

September was an exciting month in Ethiopia and for our project. New Year's & Meskel holidays were feted, and ATEA's official launch ceremony was held at the Hilton Hotel on Sept. 19. The event was attended by more than 450 guests including senior Ethiopian government representatives, diplomatic officials, business community leaders, and project clients. State Minister of the Ministry of Trade and Industry Tadesse Haile, USAID Ethiopia Mission Director Glenn Anders, and US Charge d'Affaires Janet Wilgus made keynote speeches. Under the marketing slogan “Ethiopia by Choice” and the production slogan “Right Climate, Right Place, Right People, Right Now” a sense of excitement for each sector was in the air and one participant called the event “a thrilling occasion.” But it is our field work that is most exciting. We are now working with more than 60 lead clients representing thousands of farmers and herdsmen in our four targeted sectors and have started implementing training and technical assistance programs to address constraints and improve market competitiveness and access.

The Monthly Update is designed to inform our partners, donors, development practitioners, and agribusiness clients of project activities *and results*. Please also visit our website (www.ethiopiaag.org), where Monthly Updates and other special publications are posted.

Steve Humphreys, Director,
Ethiopia Agribusiness and Trade Expansion Activity



Photo courtesy of Fintrac
Coffee Harvesting is in full swing this month in Sidamu.

This project is implemented by Fintrac Inc, a US agribusiness firm. 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:

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“Increasing Rural Incomes and Employment”

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HORTICULTURE & FLORICULTURE

With the conclusion of the vegetable exporters training program in Awassa, field work with potential commercial growers started in earnest. The efforts included ongoing activities aimed at diversifying the export vegetable industry to target the UK market.

A follow-up report from Caginetnet, a marketing organization, highlighted the challenges that the industry must overcome to compete effectively in the world's toughest fresh-produce markets. The challenges include meeting requirements for good agricultural practices (GAPs) and implementing more modern farm-to-market infrastructure. The project has selected a group of lead clients and is actively supporting their efforts to meet these challenges all along the value chain. Initial consignments of vegetable seeds of the varieties requested by buyers are being organized and trial plantings are being established to jump-start the program.

Preparations are also underway for the traditional start of the bobby bean planting season in early October. Ethio VegFru, a leading private-sector grower specializing in bobby beans, worked with project staff to commission a new planter and sprayer and also completed its investment in drip irrigation and packing facilities.

The beneficial impact of vegetable exports on charter-flight freight rates and overall cargo capacity were key issues discussed with senior officials of Ethiopian Airlines. The development of handling infrastructure, cold-chain systems and pallet management will continue to be a strategic focus of the project and will call for close collaboration among stakeholders involved in freight logistics.

The project and a leading grower, which is supported by Flora Holland, a Dutch marketing organization, have

cemented an action and investment plan for a large summer flower trial. Smaller trials of Hypericum varieties are already underway at an alternative high-altitude site. A longer-term marketing strategy for added-value flower sales is being prepared along with a detailed look at cost and revenue targets in the value chain. Summer flowers are ideal for smallholders living in the vicinity of large rose operations because they are high value, require less expensive technology, and can be marketed through these established flower export channels.

The rapid expansion of the floricultural industry is a dramatic result of the government's policy to support agriculture-based, export-led growth through investment in infrastructure and serves as a model to further contribute to Ethiopia's overall agricultural success.



COFFEE SECTOR

Our field-based coffee agronomists have now moved into their operating areas in Oromia and SNNP and have started working closely with 18 lead clients, each representing approximately 1,000 farmers. Tesfaye Negash is based in Awassa, will work with farmers in the southern coffee producing area and Getachew Zeleke will work in Jimma to cover the western area.

With the assistance of Willem Boot, our specialty coffee consultant, arrangements are well underway for an inward buyer mission in late October. As many as 15 importers from the US, Europe and Japan are expected to visit production and processing sites in Sidamo and Yirgacheffe, and participate in a three-day coffee discussion in Yerga Alem with producers. Through technology fund grants we have cost-shared the purchase of eco-friendly processing equipment for a US-Ethiopian joint venture coffee exporter, and cupping lab equipment for five cooperatives. Training of cooperative personnel in cupping techniques and quality control begins in October.

The project also signed a Partners Agreement with the US-based Coffee Quality Institute, which is providing industry specialists in organic production, cupping training, processing and marketing on a volunteer basis, with the project covering the cost of travel and per diem. In addition, Rainforest Alliance will visit Ethiopia in October to begin work on its first program in Africa.

In coordination with USAID's Regional Agriculture Trade Expansion Support (RATES) project, we continue to prepare for the East African Fine Coffee Association (EAFCA) conference to be held in Addis Ababa in February 2007. We are very excited that it is Ethiopia's turn to host the event, because it gives us an opportunity to show international buyers the quality and range of coffees we have to offer.



Photo courtesy of Fintrac
 Improper handling damages cowhides at slaughterhouse, increasing rejection rates.

HIDES, SKINS & LEATHER

September was a busy month for the HSL sector. Training continues for veterinarians to address the ectoparasite infestation that is ravaging Ethiopian herds, and for slaughterhouse workers to reduce the damage to hides and skins when slaughtered. Events held in Fitche, Sululta and Legedadi trained 113 technicians. The program continues through December. We expect that the rejection rate of skins and hides at the tannery level will begin to drop from its current rate of 80 percent to our target rate of 20 percent. We will also encourage more aggressive tick baths and spraying — we estimate that a 2 birr (20 cent) investment per animal for tick treatment will result in a 30 birr (\$3.45) return on the average sheep skin, a staggering 1,400 percent return on investment. This does not take into account the expected improvement in feed conversion, which is reduced by more than half in an infected animal. Investments like this make sense for Ethiopia.

Two new partner fund programs have also been approved this month. The first is with the Ethiopian Tanners, Footwear and Leather Products Manufacturers Association and the city administration of Addis Ababa to establish 120 modern hide/skin collection centers. The total cost is \$218,400 of which ATEA has committed 29 percent and leveraged the balance from the industry and the municipality. Once the city administration allocates land for these centers, we will purchase the collection structures, which are converted shipping containers, and train personnel to run these small businesses. Through better selection and handling, rejection rates at the tannery level will drop significantly. The second partner fund agreement is also with the Ethiopian Tanners, Footwear and Leather Products Manufacturers Association. The deal launches a one-year media campaign on Radio Fana to sensitize the public on techniques for improved harvesting and handling of hides and skins and promote the new collection centers. Because the majority of animals are still butchered at the household level, the effort is projected to increase the collection of hides and skins that would be otherwise lost.

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We continue to coordinate activities with other USAID programs and donors. For instance, we started training dairy clients of Land O'Lakes, a US agribusiness firm and USAID grantee. The first joint program was held in late September in Fetche, where our veterinarian specialist trained Land O'Lakes clients in ectoparasite control. We will carry out a similar joint program with the Ethiopian Sheep and Goat Productivity Improvement Project (ESGPIP). Our veterinarian will conduct a training program for ESGPIP's clients in Afar during the first week of October. Other joint efforts include:

- working with Amhara's regional government to assist with the treatment of sheep and goats as a follow-up to our veterinarian training in the Lalomama and Gera Keya districts. The total cost of the investment from the region on this is estimated to be birr 215,000.
- cooperating with the Food and Agriculture Organization of the United Nations, which has pledged birr 3 million to support spraying and dipping activities in Lalogera
- cooperating with ESGPIP, which will commit budget support after the exact FAO funding is known. The British firm Pittards Ltd, managing partners with Ethiopia Tannery Shares Ltd, will also cost-share a portion of this activity.

OILSEEDS & PULSES

Our oilseeds and pulses team is now in place after hiring Sector Manager Teka Redaa, and agronomist Yitbarek Liben. Liben will be based in Shirre to provide technical advice to clients in the Tigray region.

The project's senior adviser for oilseeds and pulses, Dr. George Gray, has completed the team's strategy for improving productivity and marketing in the sector. Critical issues to address include pest damage and inappropriate pesticide use, labor shortages, lack of consistent quality, lack of continuous supply, and the need for better market information. He presented his findings and a program to address these issues to POSPEA members and EGTE.

Efforts to initiate the first warehouse receipts-based transactions and inventory credit system in Ethiopia are underway. Nearly all elements for these transactions are in place, including eight EGTE warehouses, which are certified and bonded to manage grain deposits, the Commercial Bank of Ethiopia, which will accept warehouse receipts as collateral for credit, and national grades and standards that have been established by the Ministry of Agriculture and Rural Development (MoARD) for wheat, maize, barley and sorghum. We are working with industry and MoARD officials to iron-out some inconsistencies in the current law and to expand the grades and standards law to include key oilseeds and pulses. Our goal is to have successful transactions of grain using warehouse receipts by the end of 2006.

TRADE, INVESTMENT & POLICY INITIATIVES

The team has been assisting clients in each targeted sector with business planning and investment services. In September we provided technical assistance to 12 clients in the private sector, including coffee and grain millers, coffee and oilseeds/pulses exporters, and slaughterhouse operators. As a direct result of our assistance, two bank loans, totaling \$855,000, were negotiated by our clients through the USAID loan guarantee program. In the area of policy, we are working to develop a competitive framework for expanded air freight handling services to ensure continued capacity and support to the rapidly growing horticulture and flower sectors. We are also focusing on banking sector constraints that inhibit growth in the export industry. This includes constraints relating to the import of agricultural inputs and supplies that are critical for improving competitiveness in these sectors.

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