

Oilseeds business opportunities in Ethiopia 2009

Opportunities to increase export and to serve the domestic edible oil market

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This study explores business opportunities in the Ethiopian oilseeds sector, both for domestic and European companies. Business opportunities range from import substitution of edible oils to export of high value seeds and oil. Ethiopia has an attractive portfolio of oilseeds for export markets. First, export earnings can rise if Ethiopia exploits market windows for oilseeds as well as edible oil. Second, domestically processed oil can substitute imported edible oil.

Ethiopia produces large quantities sesame seed, niger seed and linseed

Ethiopia is the fifth world producer in linseed and the sixth in sesame seed and a importer producer of noug (niger seed). Ethiopia is the third world exporter of sesame seed after India and Sudan and an leading exporter of noug. The Ethiopian shares in world production of other oilseeds are negligible. The fatty acid composition of Ethiopian oilseeds does not differ from oilseeds produced in other countries: in this respect, they are not special.

Sesame seed has the highest value per ton of Ethiopian oilseeds, more than twice the value of linseed. World sesame and olive oil import prices are the highest: 3 to 4 times the price of almost all other edible oils.

Oilseeds important export earner for Ethiopia

Oilseeds are the second biggest export earner of Ethiopia. Production growth and quality improvement of oilseeds can substantially contribute to the economic development. The government enhances foreign investments in the oilseeds sector by incentives: e.g. duty and tax income exemptions.

Ethiopia imports large quantities of soybean and palm oil. The value of imported edible oil is 40 to 50% of the export earnings of oilseeds. Increased domestic edible oil production can substitute these imports and improve the trade balance.

Potentials to double oilseed production

Oilseeds production is labor intensive, low-input, and rain fed. The potentials to increase the production are huge. Only 20% of the total available agricultural land, mainly in the highlands, is used, of which only 7% for oilseeds. Productivity per ha can be doubled with higher input levels like fertilizer and improved seeds and with adequate water management. The abundantly availability of land and labor will not restrict the production growth and hence export potentials.

Higher production levels are also required, as the Ethiopian food demand will increase at least one third until 2020 due to population and income growth.

Chain actors and institutions

The oilseeds value chain has many actors at all chain levels: e.g., over 600,000 holdings produce on average below 400 kg sesame seed. Oilseed crushers produce around 20% of the domestic consumption of edible oil. Idle capacity for oilseed crushing and refining enables a larger production quantity.

Agricultural research is on an adequate level and impact oriented. Ethiopia's infrastructure is improving rapidly enabling faster transport of cargo. In addition, the Ethiopian Commodity Exchange (ECX) may enhance the market efficiency in oilseeds, by standard setting, market clearing and payment certainty. Entrepreneurship, an ambitious oilseeds exporters association (EPOSPEA), and an attractive Investment Package from the government enhance the growth of oilseeds production, processing and marketing.



Table 1: Opportunities at business level

<i>Chain actor</i>	<i>Opportunities</i>
Suppliers	Enterprises in sowing-seed, chemicals, and farm equipment. Credit facilities for farmers. Animal feed based on by-products (oil cake) of oil millers.
Growers	Production of oilseeds like soybeans, sunflower, peanuts, olives, jatropha and safflower. Production of safflower petals for dyeing purposes. Achieving higher yield levels by using inputs (fertilizer, higher-yielding seeds) and by applying crop rotation.
Processors	Establishing 99.5+% cleaning, hulling and sterilization companies for sesame and niger seed. Improved edible oil processing practices for the domestic market with attention for bottling, branding, and promotion. Olive and peanut oil production. Production of shortening for bakery applications. Small-scale castor and jatropha factories for local energy production.
Collectors/ middlemen	Collecting large quantities of specialties for dedicated supply-chains or large export chains. Optimizing ECX trade in line with market opportunities. Organizing efficient logistics between growers and processors or exporters.
Exporters	Export of high value oilseeds and edible oil. (See table 2). Establishing dedicated supply-chains

Business opportunities

Opportunities for oilseeds export are not yet fully exploited because of inefficient marketing, insufficient knowledge of the export market requirements, insufficient knowledge of the oilseed composition, improper cleaning, low quality standards in oilseed crushing and refining plants and at times poor contract discipline. Table 1 presents the business opportunities. The Public-Private Partnership on Oilseeds in Ethiopia (PPPO) supports implementing these opportunities. PPPO aims at improving the competitiveness and assists in business-to-business linkage for trade and joint investment.

Strategies

To develop the Ethiopian oil sector two strategies are:

1. *Substituting imported edible oil*
2. *Export to global and European market.*

The two strategies are mutually dependent and success of one enhances the success of the other.

On the domestic market, the market windows are:

- (i) Substituting imported by domestically produced edible oil.
- (ii) Using castor and jatropha seeds for biofuels.

Table 2 summarizes the market windows for export markets. By identifying market windows and implementing supporting institutions, the export quantity can increase as well as the average price per unit. Firms with a different structure can serve different markets. E.g., large state farms or large oil millers who are able to produce large volumes serve the export markets. Small-scale enterprises might have the best opportunities on the domestic market.

Table 2: Export market windows for oilseeds

<i>Product</i>	<i>Market</i>	<i>Opportunity</i>
Sesame seed purity level (99.5+%)	Bakery applications	Investment in cleaning facilities
Hulled sesame seed	Bakery applications	Investment in hulling facilities
Specially sesame seed oil	Different food purposes (e.g. 'wok' oil)	Organizing local crush and bottling.
Organic sesame seed	Organic food applications	Organizing organic chains from farmer to end user
Linseed with high omega-3 and 6 fatty acids	Applications in specific healthy food products	Identify specific varieties with highest amounts of omega 3 and 6. Setting up export chains
Castor beans	Wide variety of technical applications	Identify opportunities for organizing collection. Identify main characteristics and set up export chains.
Olive	Different food purpose	High value export oil as sesame oil.
Safflower seed	Applications in specific healthy food products	If high C18:2 level, identify opportunities
Safflower petals	Dyeing industries	Colours based on natural ingredients.

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