

## Quick scan of the livestock and meat sector in Ethiopia

### Issues and opportunities



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May 2006

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Background information for a Trade Mission to Ethiopia collected on request of the Ministry of Agriculture, Nature Management and Food Quality of the Netherlands

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Picture front cover : Local livestock market in Ethiopia

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## Exchange rates and Abbreviations

100 Ethiopian Bir	=	11.56 US \$
1 US \$	=	8.65 Bir
100 Ethiopian Bir	=	9.55 € (Euro)
1 €	=	10.47 Bir

ADLI	Agriculture Development-led Industrialization
AHS	African Horse Sickness)
a.s.l.	above sea level
AU-IBAR	African Union – Inter-African Bureau for Animal Resources
CACC	Central Agriculture Census Commission
CAHW	Community Animal Health Workers
CAPE	Community Animal Health and Participatory Epidemiology Unit
CBPP	Contagious Bovine Pleuropneumonia
CCPP	Contagious Caprine Pleuropneumonia
CFC	Common Fund of Commodities
DFZ	Disease Free Zone
EBDSN	Ethiopian Business Development Services Network
ESALIA	Eastern and Southern Africa Leather Industry Association
EXCELEX	Examination and Certification of Livestock for Export
FMD	Foot and Mouth Disease
GDP	Gross Domestic Product
GL-CRSP	Global Livestock Cooperative Services Programme
HS	Haemorrhagic Septicaemia
IPMS	Improving Productivity and Market Success of Ethiopian Farmers
LAMEA	Live Animals and Meat Exporters' Association of Ethiopia
LFMD	Livestock and Fishery Marketing Department (established in 2005)
LLPTI	Leather and Leather Products Technology Institute
LMA	Livestock Marketing Authority (1998 – 2005)
LMDE	Livestock Marketing and Development Enterprise (up to 1998)
LSD	Lumpy Skin Disease
LW	Live Weight
MoARD	Ministry of Agriculture and Rural Development
ND	Newcastle disease
OIE	International Animal Health Organization
PACE	Pan-African Programme for the Control of Epizootics
PLMG	Pastoral Livestock Marketing Groups
PPR	Pestes des Petits Ruminants
RVF	Rift Valley Fever
SWOT	Strengths, Weaknesses, Opportunities and Threats
TAD	Trans-boundary Animal Disease
UNIC	Italian Tanners Association
VOCA	Volunteers in Overseas Cooperative Assistance

## Summary

This report gives background information on the meat and livestock sector, and the leather industry in Ethiopia. It gives a summary of opportunities and constraints in these sectors and presents suggestions for value chains which could be of use for the Dutch agribusiness and could benefit from support through development cooperation.

The meat and livestock sector in Ethiopia is an important economic sector; it contributes for 16 % to the Gross national Product and for 14 % to national exports. The livestock population is large (41 million cattle and 50 million sheep and goats). The main constraints for livestock development are animal diseases, animal nutrition, traditional subsistence animal husbandry, and marketing of animals. There is a good potential to increase quantity as well as quality through promoting the selling of animals at a younger age and through improved fattening of the animals either by small farmers or in feedlots.

Up to now the export of meat and live animals is limited, primarily through import restrictions due to animal diseases (e.g. Rift Valley Fever) and to lack of animals of good quality. A number of multilateral and bilateral projects are being implemented in the fields of animal disease control, quality control, livestock marketing, and development of producers' organizations. Especially producers' organizations could play a positive role in the fattening of stock and improving the regular supply of suitable animals for slaughter.

There are new opportunities for the development of the following new value chains:

- Sale of good quality fresh / chilled or frozen meat for export (to e.g. Middle-East, North Africa and certain areas in Sub-Saharan Africa)
- Sale of good quality fresh / chilled or frozen meat for the top segment of the urban market.
- Production and sale of processed meat products for the local market and possibly also for export
- Cooperation in the animal feed sector: formulation of rations, sale of premixes and development of joint ventures with local feed companies;

For successful operation on the Ethiopian market it is important to:

- Find a good business partner with good connections in the sector and interested in long term cooperation;
- Have control over as many steps in the supply chain as possible (from the production and supply of raw materials to sale of the product to the consumer or importer)
- Make use of the Dutch programmes for the support of sustainable economic development (e.g. EVD, public-private partnerships, FMO etc)

The development of the livestock sector could benefit from activities in development cooperation by:

- Support for the development of producers' organizations to strengthen the economic position and the lobbying power of farmers. e.g. pastoral associations, fattening and marketing of animals, milk collection cooperatives;

- Study of the animal feed sector: current situation, opportunities and constraints, availability of local feed resources (in terms of quantity and quality), advice on animal feed production and suitable feed rations, with the objective to assess the development potential of the sector and to support partnerships with the Netherlands Agribusiness sector;
- Study of the smallholder dairy sector: review of the current situation, constraints and opportunities for the development (milk production, marketing and processing).with the aim to identify development opportunities especially for smallholders and investigate a possible role of Dutch Agribusiness;
- Identify the current gaps in knowledge of agriculture entrepreneurs and producers organization in Ethiopia which limit international market access and dealing with international traders. The objective would be to develop tailor made capacity building programmes (e.g. on government policy, product quality, chain approach etc) for this target group.

This report presents also a short description of the leather sector in Ethiopia. Ethiopia produces a large number of hides and skins, including some of a special quality and sought after in the international market (Cabretta – hides from hair sheep for high quality gloves and garments; and Bati – goat hides for suede). A large proportion of the hides are exported as semi-finished products (wet-blue or crust). There are opportunities in this field for further processing to finished leather and in the design and manufacturing of final products (e.g. garments and shoes).

## Samenvatting

Dit rapport geeft achtergrondinformatie over de vlees- en veehouderijsector en de leerindustrie van Ethiopië. Het is een samenvatting van de kansen en problemen binnen deze sector en geeft suggesties van waardeketens die mogelijk voor het Nederlands agrarische bedrijfsleven van belang zijn en activiteiten waar ontwikkelingssamenwerking een ondersteunende rol kan spelen.

De vee- en vleessector is in Ethiopië een belangrijke economische sector, deze draagt voor 16 % bij aan het Bruto Nationaal Product en levert een aandeel van 14 % in totale export. De veestapel is zeer omvangrijk (41 miljoen runderen en 50 miljoen schapen en geiten). De voornaamste problemen in de sector liggen op het terrein van de dierziekten, veevoeding, traditionele zelfvoorzienende veehouderij, en in de vermarkting van het vee. Er zijn goede mogelijkheden om zowel de kwantiteit als de kwaliteit te verbeteren o.a. door verkoop van dieren op jongere leeftijd en het verbeteren van het afmesten door kleine boeren of in feedlots. Hierbij kunnen producenten organisaties een rol spelen.

Tot nu toe is de export van vlees en levend vee beperkt, vnl. door importbeperkingen vanwege dierziekten (o.a. Rift Valley Fever) en gebrek aan aanvoer van vee van voldoende kwaliteit. In Ethiopië zijn een aantal door multilaterale en bilaterale projecten in uitvoering o.a. op het gebied van dierziekten bestrijding, kwaliteitscontrole, vermarkting, en opzetten en ondersteunen van producenten organisaties. Vooral producenten organisaties kunnen een positieve rol spelen bij afmesten en het verbeteren van de aanvoer van geschikte slachtdieren.

Nieuwe mogelijkheden zijn er voor het ontwikkelen van de volgende waarde ketens:

- Afzet van goede kwaliteit vers/gekoeld of bevroren vlees voor export (naar b.v. Midden Oosten, Noord Afrika en bepaalde gebieden in Sub-Sahara Afrika)
- Afzet van goede kwaliteit vlees voor het topsegment van de stedelijke markt
- Productie en afzet van verwerkte vleesproducten voor de lokale markt (of export)
- Samenwerking in de veevoedersector: formuleren van rantsoenen, afzet van premixes en joint ventures met lokale veevoeder fabrieken.

Belangrijk om met succes te opereren op de Ethiopische markt is o.a.:

- Vinden van een goede zakenpartner goed ingevoerd in de sector en geïnteresseerd in lange termijn samenwerking;
- Controle over een zo groot mogelijk gedeelte van de markt keten (van de productie van grondstoffen tot verkoop van het product aan de consument of de importeur);
- Gebruikmaken van Nederlandse programma's voor ondersteuning van duurzame economische ontwikkeling (b.v.: EVD, public-private partnerships, FMO).

Vanuit ontwikkelingssamenwerking kan de veehouderij sector ondersteund worden door:

- Ondersteuning voor het ontwikkelen van producenten organisaties om de economische- en onderhandelingspositie van de boeren te versterken, b.v. pastorale organisaties, vetmesten en verkoop van vee, melk coöperaties;

- Inventarisatie van de veevoedersector, kansen en problemen, beschikbare veevoerders (in termen van kwaliteit en kwantiteit), adviseren over veevoeder productie en geschikte rantsoenen, met als doel het inschatten van het ontwikkelingspotentieel en mede ter ondersteuning van mogelijke samenwerkingsverbanden met het Nederlandse bedrijfsleven;
- Inventarisatie van de huidige stand van zaken, kansen en problemen in de sector van de melkveehouderij en melkverwerking. Vooral om te kijken naar de mogelijkheden voor de kleine boeren en de daarvoor benodigde ondersteuning, verder om een mogelijke rol van het Nederlandse bedrijfsleven te onderzoeken;
- Inventarisatie van de stand van zaken t.a.v. de benodigde en huidige kennis bij agrarische ondernemers en producenten organisaties in Ethiopië om te kunnen exporteren of joint ventures aangaan. Kennis over overheidsbeleid, regelgeving, kwaliteitseisen, ketenbenadering etc. Dit met het doel de ondernemers in Ethiopië met gerichte trainingen en technische assistentie hierin te kunnen ondersteunen.

In dit rapport wordt ook de leersector in Ethiopië kort beschreven. Ethiopië produceert een groot aantal huiden en vellen, waaronder enkele bijzondere soorten (Cabretta – huid van haarschape voor hoge kwaliteit handschoenen en kleding; en Bati – geitenhuid voor suède). Een grote hoeveelheid huiden wordt als halffabrikaat (wet-blue of crust) geëxporteerd. Op dit terrein liggen er kansen voor verdere verwerking tot leer en in het ontwerpen en maken van eindproducten (b.v. kleding en schoenen).



## 1. Introduction and background.

TEAMPro organized a trade mission to Ethiopia aimed at the meat sector in Ethiopia. This trade mission took place from 19 – 24 March 2006. The mission was organized on request of EVD of the Dutch Ministry of Economic Affairs and supported by the Dutch Ministry for Agriculture, Nature Management and Food Quality. This report is prepared on request of the Dutch Ministry of Agriculture to provide background information on the livestock and meat sector in Ethiopia. The report identifies the development constraints and opportunities and makes suggestions for value chains in which Dutch agri-business and / or development cooperation could play a role. In addition to the meat sector the report also covers briefly the hides and skins, and leather sector.

The report is based on the available documentation (see reference list in chapter 11) updated with information from sources in Ethiopia and the Netherlands and information collected by the author during his participation in the Trade Mission. The most relevant and recent reports on the livestock sector in Ethiopia are:

- Akilu, Yacob (2002). An audit of the livestock marketing status in Kenya, Ethiopia and Sudan. 2 volumes. Prepared for AU-IBAR and PACE. (Aklilu\_market\_vol1.pdf and Aklilu\_market\_vol2.pdf)
- NEPAD and FAO (2005). Bankable investment project profile: Live animals and meat export (preliminary options outline) (File: NEPAD-CAADP-Meatplan.pdf)
- Hurissa, Belachew, (2005). Livestock marketing development in pastoral areas of Ethiopia: market infrastructure situation assessments as an input for the preparation of a project feasibility study. ( File: livestock marketing in pastoral areas.doc)
- Ethiopian Business Development Services Network (EBDSN). The Ethiopian Leather and footwear sector. ( <http://www.bds-ethiopia.net/leather/index.html> )

Relevant websites with background information on Ethiopia and doing business in Ethiopia are:

- Ethiopia Export Promotion Agency: <http://www.ethioexport.org/>
- Ethiopian Business Services Network: <http://www.bds-ethiopia.net/import-export.html>
- Links to Ministries, Government Agencies, Investment Resources etc: <http://www.ethiopianembassy.org/links.shtml>
- Addis Chamber of Commerce: <http://www.addischamber.com/downloads/pepdownloads.asp>
- The Ethiopian Government promotes an Agriculture Development-led Industrialization (ADLI) and Export -led Growth. More information on: <http://www.addischamber.com/downloads/docs1/10.doc>
- Country Brief on Ethiopia (April 2005). Library of Congress. <http://lcweb2.loc.gov/frd/cs/profiles/Ethiopia.pdf>

Sources of information on Dutch programmes which could support business cooperation and public-private partnerships for development:

- Netherlands Embassy in Ethiopia: [www.netherlandsembassyethiopia.org](http://www.netherlandsembassyethiopia.org)
- EVD programmes: [www.evd.nl/psom](http://www.evd.nl/psom)
- FMO (Financierings Maatschappij Ontwikkelingslanden):  
<http://www.fmo.nl/en/aboutfmo/index.php>
- Agri-Profocus (support for Producers' Organizations): [www.agri-profocus.nl](http://www.agri-profocus.nl)
- Ministry of Foreign Affairs: Public – Private Partnerships  
([http://www.minbuza.nl/default.asp?CMS\\_ITEM=25C1628353A04992A005246635DD958X3X39280X49](http://www.minbuza.nl/default.asp?CMS_ITEM=25C1628353A04992A005246635DD958X3X39280X49))
- CBI Centre for promotion of Imports from developing countries [www.cbi.nl](http://www.cbi.nl)
- Netherlands Development Cooperation: [www.minbuza.nl](http://www.minbuza.nl)

## 2. The livestock sector and the meat chain

Ethiopia has one of the largest livestock populations in Africa. Livestock in Ethiopia provides draught power, income for farming communities, means of savings and investment and is an important source of foreign exchange earnings to the nation. Livestock is economically an important sector, it is estimated that livestock provides 16 % of the total GDP (equivalent to 30 % of the agricultural GDP) and generates 14 % of the country's foreign exchange earnings. The function and purpose for which livestock are reared varies considerably across the two major agro-ecological and socio-economic zones and the two major livestock production systems in the country.

- a. The Highland crop- mixed farming system
- b. The Lowland pastoral and agro-pastoral production system.

The main constraints to livestock development in Ethiopia are: diseases, nutrition, traditional husbandry and poor marketing system.

**Table 1.** Livestock population of Ethiopia and the distribution over the 2 major production systems (based on data from 2004).

	Lowland pastoral		Highland crop-livestock		Total
	Number	%	Number	%	Number
Human population	8.2	13	54.7	87	62.9
Land area (000 sq.km)	600	60	400	40	1,000
Cattle (million)	9.2	22	31.7	78	40.9
Sheep (million)	12.5	49	13.0	51	25.5
Goats (million)	14.1	60	9.3	40	23.4
Camels (million)	2.3	100	0	0	2.3

Ethiopia has a poultry population of 43 million (Central Agriculture Census Commission, 2003)

*The highland crop- livestock mixed farming system:* this part covers around 40 % of the total land surface and is located 1500 m above sea level (a.s.l.). The highlands are situated in the Northern, North-eastern and central part of the country. It is featured by a mixed farming system where crop cultivation and livestock production are undertaken side-by-side complementing each other.

Livestock is primarily kept on small-holdings where it provides draught power for crop production, manure for soil fertility and fuel, and serves as a source of family diet and source of cash income (from the sale of livestock and livestock products) particularly when markets for crops are not favorable.

The number of young animals sold from the highlands which are suitable for breeding or for further fattening is limited. The majority of the animals sold are old draught animals and barren cows. The highlands are a major source of sheep for slaughter in the cities.

As a result of increasing population pressure the land is getting scarce. In some highland areas farm size decreases to a point where large livestock needed for animal draught can no longer be sustained (involution of the mixed farming system). It leads to reduction of the population of large ruminants but also to problems in land cultivation and reduction of crop yields as a result of reduced nutrient recycling. The government promotes the use of donkeys for draught power.

*The lowland pastoral and agro-pastoral production system:* The lowlands cover around 60 % of the land area and are situated below 1500 m a.s.l. The lowlands are situated in Eastern, Southern and Western part of the central highlands. Livestock are the principal source of subsistence providing milk and cash income to cover family expenses for food grains and other essential household requirements (mostly consumer goods). Also the pastoral areas are under pressure due to encroachment by crop farmers. The pastoral lowlands are a major source of goats and sheep for export. Mature 3 to 5 year old cattle from Borena and from Somali region is sold for fattening in areas close to Addis Ababa.

**Table 2.** Estimated present and potential off-take rates

	Carcass weight	Off-take %	Potential off-take %
Cattle	108	7 - 8	10 – 12
Sheep	10	33 - 40	50
Goat	8.5	34 – 35	50
Camel	110	6	?

It is not clear whether the above estimates of the off-take rate include the unofficial cross-border trade to Somalia, Djibouti and Kenya. Other reports indicate a difference in off-take rate for cattle of 10 % for the pastoral areas and 6 % for the highland areas. This source also mentions a massive trade from the highland areas to Sudan for eventual export to the Gulf States. The cross-border trade is considered illegal. Neither is clear how far local slaughter (especially on farm and in the rural areas) is included in the estimated off-take figures.

The general conclusion from several reports is that off-take is low and that there is a considerable potential to increase the number of animals offered for slaughter and/ or export. This potential can be realized in the form of higher off-take rates and increased production of better quality animals through increased finishing and fattening by smallholders or on commercial feedlots.

### ***Livestock marketing***

Livestock markets in Ethiopia function at three levels: primary, secondary and terminal markets.

*Primary market:* village level markets, with generally less than 500 head of cattle sold per week. Farmers and pastoralists sell animals to traders, other farmers (replacement animals) and sometimes to consumers and local butchers. Generally there are no facilities for weighing, watering and feeding.

*Secondary markets:* middlemen, trader and butcher dominated markets, with a turnover of 500 – 1000 animals per week consisting of finished, breeding and draught stocks and located mainly in regional capitals. Secondary markets serve the local butchers and feed the terminal markets.

*Terminal markets:* located in the large urban centers. Medium to large-scale traders dominate these markets.

Marketing of sheep and goats follows a similar pattern except that more animals are sold through informal markets especially in the urban areas.

Supply of livestock to the primary, secondary and terminal markets is mostly done through trekking. Traders and producers use traditional stock routes to trek their animals to the market.

The decision to sell animals by primary producers (both farmers and pastoralists) is usually based on urgent cash requirements. Producers come to the markets with no information beforehand on the going price of the day and farmers may take back their animals if the price offered is too low and they will try their luck next time at the same or another market.

*Cost of livestock trading:* livestock trading is subject to several service fees and charges from the different levels of government. Local councils charge market service fees for providing space to conduct the market transactions. Charges for cattle vary between 1 to 20 Birr per head. Furthermore 'Transit fees' are charged, this is sometimes translated as 'market entrance fee'. Transit fees are also charged on animals which are trekked or trucked from one market to another. Traders could be charged transit fees a number of times when they pass a local or regional border. In addition livestock trade is subject to a 5 % sales tax, due to confusion in the law this sales tax is sometimes charged more than once and sometimes based on an arbitrary price fixed by the tax collector.

The LMA (Livestock Marketing Authority) recorded the following variation in the total of fees and charges en route to a slaughterhouse from various areas in Ethiopia (based on data collected in 2001 and 2002):

Cattle: \$ 1.75 – 14.0; sheep: \$ 0.7 – 4.0; goat: \$ 0.7 – 4.1 (based on an exchange rate of 1 \$ = 8.65 Birr).

As a result of the high cost of brokers' fees and government fees there is a trend that butchers and traders buy increasingly animals outside the terminal markets to reduce cost. Also in Addis a lot of trading in livestock, particularly for goats and sheep takes place outside the formal market places.

*Veterinary services and animal health situation:* The main objectives of the veterinary services are to ensure animal health and welfare; protect human health and ensure the provision of healthy hygienic animal products.

The veterinary services consist of Federal and regional entities, where the federal services are governed under the jurisdiction of the MoARD and the regional components are run under regional agricultural bureaus of the respective regional states. The federal veterinary services are responsible for formulation of policies and strategies; disease surveys and investigations; control major diseases; and enforce regulations and certification. The duties of the regional veterinary services consist of provision of preventive and clinical services; annual vaccinations, meat inspection, data collection, and training para-veterinary staff. Seven or eight of the list A diseases of OIE are reported to be endemic in Ethiopia. These are: CBPP (Contagious Bovine Pleuropneumonia), LSD (Lumpy Skin Disease), FMD (Foot and Mouth Disease), ND (Newcastle Disease), PPR (Pestes des Petits Ruminants), Capri pox (sheep and goat pox) and AHS (African Horse Sickness). RVF (Rift Valley Fever) has not been officially reported, but is the major reason of the import ban imposed on Ethiopia by Saudi Arabia. Other major diseases occurring in the country include: CCPP (Contagious Caprine Pleuropneumonia), trypanosomiasis, anthrax, black leg, HS (haemorrhagic septicaemia), brucellosis, and internal and external parasitosis. These diseases cause huge mortality and morbidity. Arthropods and arthropod-borne diseases affect the quality of hides and skins; this is called 'ekek' in sheep. Skin lesions caused by these parasites are the main reason for down grading semi-processed (wet-blue) skins. The leather industry is the 2nd major source of foreign exchange earnings for the country. Prevalent diseases invariably affect the survival and productivity of exotic animals. The presence of the diseases makes it difficult for the country to access international livestock markets.

*Feedlots and fattening of cattle:* The last 20 years have seen the development of private feedlots around Nazareth, Mojo and Debrezeit towns in close proximity to the terminal markets in Addis. The feedlots buy cattle from primary and secondary markets and feed them on concentrates such as wheat bran, oil seed cake and molasses. Finished animals are sold direct to butchers and traders. In addition several households in these towns are also engaged in small-scale fattening activities, consisting of 1-3 head of cattle. Small scale fattening is also common practice among the highland farmers of Hararghe and Wolayta, where 1-2 head of cattle are tethered and hand fed. While the small-scale fattening activities are still going on, the initial success of commercial feedlots has been severely affected by increasing cost, shortage of concentrate feeds and the import bans on life animals in the Middle-east. In addition the butcheries offer low prices for the fattened animal on the grounds of lower shelf life of the meat, relatively lower dressing weight and consumers' preferences for pasture-fed cattle. As a result many of commercial feedlots that were set to dominate the terminal markets at one time have been closed.

Recently some of the feedlots have been revived, e.g. the feedlot of ELFORA in Wonji, where 3 – 5 year old Boran bulls are fattened for life export to Egypt.

*Ranching:* To a limited extent ranching exists in Ethiopia but it is not clear how many ranches there are and how many animals are reared on ranches. Ranching is not that common due to the land tenure policy that prohibits private ownership of land, land can be leased but not owned. As a result the ranches that exist in Ethiopia are either leased or used by cooperatives. The ranches are grossly underutilized at the moment. ELFORA, which is the biggest private livestock and meat enterprise in Ethiopia is the main ranch owner, but does not seem to operate the ranches very effectively and efficiently.

ELFORA is owned by a rich entrepreneur who bought around 1998 all the assets (including ranches, slaughterhouses and a meat canning plant) of the government owned

*Prices for livestock and livestock products:* Consumer prices for meat (around 2003) ranged in Addis from Br 8/kg for low quality to Br 25/kg for prime cuts. Br 13 – 15 Br/kg was apparently the average price and Br 16 – 18/kg the average price of meat from fattened steers and oxen. Purchase prices (2005 – 2006) for livestock from pastoralists are about Br 5.50 per kg live weight (LW). After 1 to 3 months fattening and proper health care they sell at Br 8 – 10 per kg farm gate. The same source reports a price for export of live cattle of \$ 1030 per ton (= 8910 Br) f.o.b. Djibouti. This does not seem to tally with a farm gate price of 8 – 10 Br per kg LW.

*Slaughter in abattoirs and butcheries in Addis Ababa:* It is difficult to find accurate data on the number of livestock slaughtered in Addis as available data suggest that only one-third to one-half of the slaughtered cattle at one abattoir are supplied through the terminal markets of Addis. Furthermore, some estimates indicate that an equal number of cattle are slaughtered outside the designated abattoirs, which are not recorded. In addition, bound by traditional norms and lack of legislation, most people in Addis slaughter sheep in their backyard. The main slaughterhouse of Addis Ababa is located in the centre of the city and around 50 years old. It caters for the slaughter of livestock for the local butchers and supermarkets. The slaughterhouse is owned by the city government; it operates at a loss and requires an annual subsidy. The slaughterhouse is in a poor condition. A feasibility study has been undertaken for a new slaughterhouse and land is available outside the city; however, the funds for the construction of the new slaughterhouse are lacking.

*Export of livestock and livestock products:* Compared to its livestock resources, the volume of Ethiopia's livestock and red meat exports has been low for a long time. The export of live animals has diminished as a result of shortage of capital, poor infrastructure, lack of enabling policy and legislation, and the landlocked status of the country, in addition to the poor financing of the veterinary services. ELFORA, the company that bought the assets of the LMDE has up to recently not managed to export live animals. ELFORA now exports live animals to Egypt. Ethiopia's export output has during the last 5 years been limited to chilled mutton and beef. This comes mainly from private slaughterhouses established fairly recently. Many of these small slaughterhouses are located within a radius of some 100 km from the capital for close proximity to the airport. Though the volume of exports remains small in relation to the livestock potential of the country, a steady growth was maintained until the Gulf States applied the RVF (Rift valley fever) ban in the year 2000. The ban has critically affected almost all of these small private exporters both in terms of limiting their output capacity and stalling their plans for expansion. The main export destinations (and quantities) for meat are in table 3.



Holding ground for a slaughter house

**Table 3:** Meat Export to Different Destinations (July 2004-June 2005)

Destination	Products in MT				
	Chilled sheeps meat	Chilled beef	offal's	total	Share (%)
Saudi	3565	-	39	3604	43.4
Dubai	3978	446	37	4461	53.7
Yemen	155	16	2	173	2.1
Congo Bra.	13	33	3	48	0.6
South Africa	14	-	-	14	0.2
<b>Total</b>	<b>7725</b>	<b>495</b>	<b>81</b>	<b>8301</b>	<b>100.0</b>
Share (%)	<b>93</b>	<b>6</b>	<b>1</b>	<b>100</b>	

Source: Belachew Hurissa (2005) based on unpublished data of LFMD, July 2005.

Egypt and Ethiopia made in 2004 an agreement on the purchase of livestock and meat from Ethiopia for a total of \$ 50 million in a period of 2 years. Part of the agreement was for Egypt to invest in slaughterhouses in Ethiopia and send their own meat inspectors to Ethiopia. Reportedly the quantities of meat exported fall short of the targets due to shortage of suitable animals. So far Egypt has not made any investment in slaughterhouses. A major part of the exports to Egypt are in the form of live animals.



The Ethiopian Business Development Services Network lists 13 companies in the category of Live Animals and Meat Export Companies

<http://www.bds-ethiopia.net/food/leading-food-companies.htm>

ELFORA Agro-Industry P.L.C.	* *
Hashim Ethiopian Livestock & Meat Exporter	* *
Modjo Modern Export Abattoir P.L.C.	*
LUNA Export Slaughter House	*
Mewashi Ethiopia P.L.C.	
SAAFI Trading P.L.C.	*
Shifare Assefa Import & Export Enterprise	
ALFOZ P.L.C.	*
TAKEM P.L.C.	
Ethio-LEE Livestock Enterprise S. CO.	
Haile & His Sons Agro-Industry S.CO.	
Yesuf Omer General Import & Export	
GASCO Trading P.L.C.	

Remark: The companies marked with an \* are also mentioned as leading companies in other reports on the livestock and meat sector.

*Value of exports:* Up to now the export of live animals and meat and meat products are only a small share of the total value of the exports of livestock and livestock products. See table 4.

**Table 4:** Annual average earnings from the export of livestock and livestock products (period 99/00 – 03/04)

Products	Value (million ETB)	Value (million \$)	Share %
Livestock	9.7	1.12	2.2
Meat and meat products	41.5	4.80	9.5
Hides and skins	375.0	43.35	86.2
Natural honey and bees wax	6.9	0.80	1.6
Civet	1.7	0.20	0.4
Others	0.4	0.05	0.1
Total livestock exports	435.2	50.31	100.0
Total national exports	4,069.9	470.51	
Share of livestock products	10.7 %	10.7 %	

Source: Belachew Hurrissa, 2005; Computed from Export Promotion Agency's raw data  
1 US \$ = 8.65 Bir

Note 1: These data on exports do not include (illegal) exports to Somalia, Djibouti, Kenya and Sudan

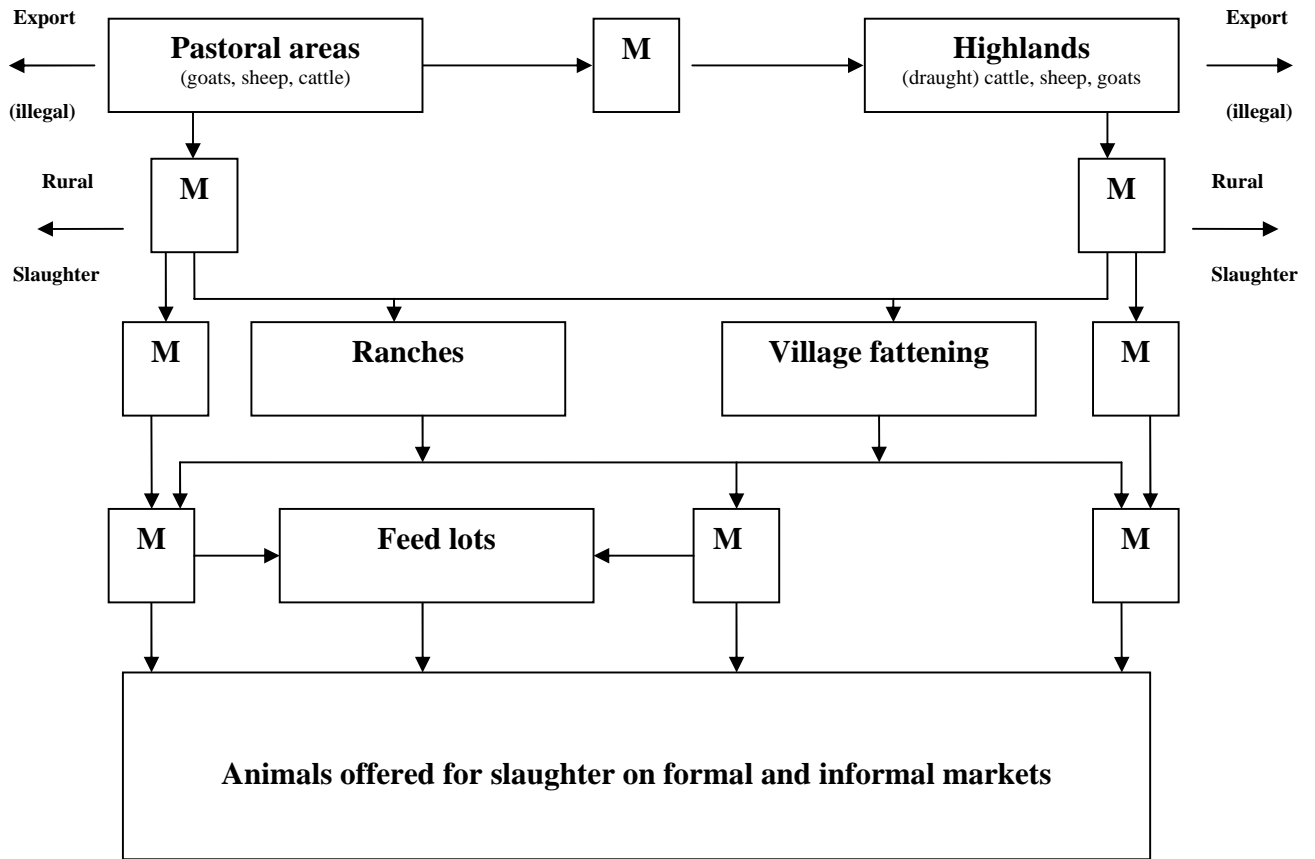
Note 2: The export of hides and skins is mainly in a semi processed form (wet-blue or crust), see also chapter 3 of this report. The export value of hides and skins do not take into account the cost of the imported chemicals required for the tanning process.



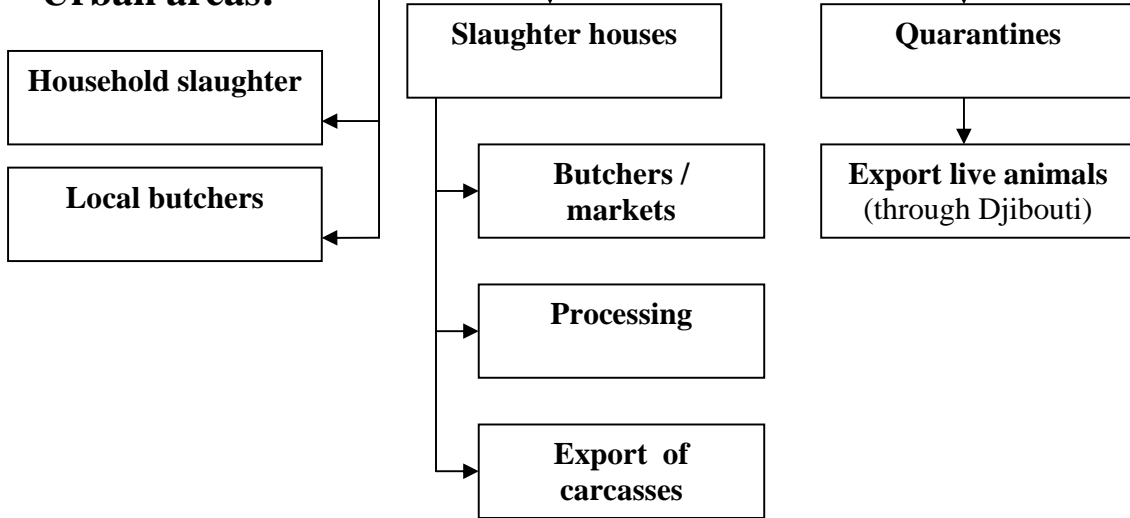
Feedlot for export of live bulls to Egypt

## Meat Production Chain in Ethiopia

### Rural Areas:



### Urban areas:



M = livestock market

### 3. Hides and skins and the leather industry

Based on the present estimates of off-take rates around 2 million cattle hides, 8 million sheep skins and 7 million goat skins become annually available in Ethiopia. Raw hides and skins become available from households in the rural and urban areas, local butcheries, restaurants, rural and urban slaughterhouses, terminal markets and export slaughterhouses. The channels for the collection of hides and skins to the tanneries are relatively well established but need significant improvements to reduce damages caused by thorns, ecto-parasite diseases (ekek), poor flaying, handling and storage. There are some 19 tanneries in Ethiopia. The 19 tanneries have an estimated capacity of 25 million skins and 2 million hides when operating at 85 % efficiency for 275 days a year. Assuming that the estimated off-take rate is close to the true picture and given the fact that not all the raw skins and hides produced in the country are likely to reach the tanneries, it is likely that the tanneries will face a critical supply shortage of hides and particularly skins in the future. The current performance rate of the tanneries is between 50 – 83% for hides and between 33 – 85% for skins. Most of the fully operational tanneries produce semi-processed skins and hides. Only 6 produce finished leather – such as linings, leather garments, upper covers for shoes etc.

Hides, skins and leather products are in value the 2<sup>nd</sup> major export product (after coffee) from Ethiopia. In 2000/2001 this sector accounted for 17 % of the total foreign exchange earnings. By far the major part of the exports is in the form of semi-processed hides and skins (e.g. pickled, wet blue or crust). Italy is the main export market; other importing countries are India and Pakistan. The export value figures do not take into account the cost of imported chemicals required in the tanning process. This is said to be a considerable proportion of the export value.

*Special characteristics of hides and skins from Ethiopia:* Sheep and goat skins represent the bulk of the Ethiopian leather production. Ethiopia highland hair sheep skins (Cabretta), in particular retain a high reputation in international markets for some natural characteristics of clarity, thickness, flexibility, strength and compact texture which makes them especially suitable for high quality gloves, sports equipment and garments. Goats skins classified as Bati-genuine and Bati-type are characterized by thick, highly flexible and clean inner surfaces and are in high demand for the production of fashion leathers, especially suede. Bati goats are named after the Bati area in Wollo, Tigray. The cattle hides, in stead are not regarded as particularly attractive in international markets due to the poor quality and the small size of the zebu, the most common bovine in Ethiopia.

#### ***Constraints for development***

- *Supply.* A major problem with the leather sector is the by-product status of hides and skins. Cattle, goats and sheep are mainly used for meat (cf. Kodama 2001 and Worku 2002). Thus, the product, i.e. hides and skins, becomes available when meat is needed, not when it is appropriate for leather processing. In Ethiopia meat is needed in three waves because of religiously induced fasting seasons and festivals; for example, in Amhara, which provides the largest volume of sheepskins, these festivals are Easter (April), Ethiopian New Year and Mesqal (September), and Christmas and Timqat (January).

Especially in the rural areas the number of animals slaughtered is low, and furthermore many hides and skins remain in the country side for domestic uses. Currently there is a shortage of supply of hides and skins to meet the demand of the tanneries.

- *Quality.* As a result of this by-product status, not enough attention is paid to maintaining the quality of the hides and skins. Different serious problems at the source impacting on the leather quality are: flay cuts, putrefaction, animal diseases (ekek), branding, poor pattern, dirt and dung. Hides and skins are not sold when prices are considered to be too low resulting in an even lower quality when they are sold at a later date. The farmers and butchers in the rural areas get a very low price for the hides and skins, many hides and skins are wasted and the current prices are no incentive for proper handling and drying. Tanning of damaged hides and skins require more chemicals and effort to repair them. This means extra cost and extra pollution. Estimates of the loss to the Ethiopian economy due to poor handling and other problems reach US \$ 14 million per year. In order to address these problems, (pilot) projects are underway with the participation of ESALIA (Eastern and Southern Africa Leather Industry Association - [www.africaleather.com](http://www.africaleather.com)) CFC (Common Fund of Commodities), UNIDO, FAO, UNIC (Italian Tanners Association) and others.
- *Further processing.* Finishing the leather processing and manufacturing of end products (e.g. shoes, garments and other products). Now most of the hides and skins are exported as wet-blue, these semi-processed products are well known and especially appreciated in Italy but also elsewhere. The dirty part of the tanning is done in Ethiopia while the main profit is made in Italy and other countries. Most chemicals are imported so it is uncertain how much profit is made in reality on the export of hides and skins.
- *Lack of market for finished products.* The purchasing power in Ethiopia is low and not many people are able to buy finished leather products, furthermore there is fierce competition on the local market from cheap Chinese made shoes.
- *Environmental issues.* Leather processing discharges both liquid and solid waste. Ethiopian tanneries are characterized generally as one of the major polluters in the country. Reducing the pollution caused by the leather industry is expected to add substantial to the cost of leather production.

Berhanu and Kibre (2002) have made an interesting study of competitiveness in the Ethiopian leather sector. For the tanning sector, they have concluded that the main factors affecting competitiveness are:

1. low capacity utilization in the tanning industry;
2. the poor economic infrastructure: inefficient infrastructure and inefficient bureaucratic structures significantly raises the transaction costs of firms, making it difficult to compete nationally or internationally;
3. the technology employed is not updated regularly, in particular the lack of learning in production management;
4. the lack of hard currency to purchase spare parts and inputs;
5. the relative lack of export support and/or promotion services

For the leather footwear firms, the main factors affecting competitiveness are the poor quality of domestic leather, and the high cost of (imported) inputs.

They conclude that resource endowment is not enough for competitiveness, and that, similarly, the availability of cheap and abundant labour by itself does not seem to be sufficient to compete internationally.

Labour costs in Ethiopia, for example, are estimated to be lower than those in China: the basic wage in Ethiopia is around US \$ 0,7 per day, or almost 6 Birr, while it is around US \$ 1 in China. Most relevant with respect to technology is the lack of timely and efficient maintenance, modification, and innovation. This has in particular to do with the lack of spare parts (foreign currency shortage), and unsatisfactory learning effort exhibited by labour and management.

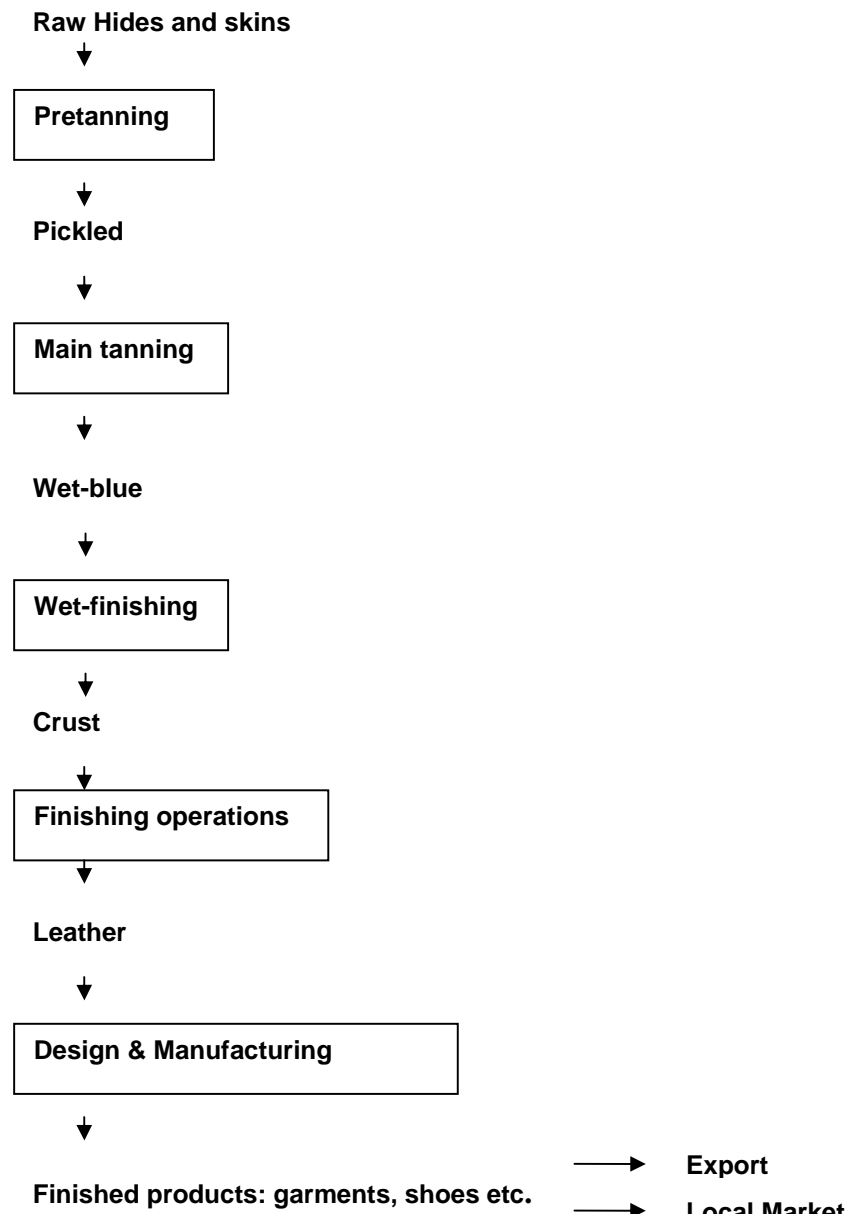
Recently the Ministry of Trade and Industry of Ethiopia in close cooperation with UNIDO prepared a Master Plan for the development strategy of the Ethiopian Leather and Leather Products Sector. On request of the Prime Minister a Business Plan for the sector was prepared as a follow-up of the Master Plan. This business plan has a restricted distribution and can be obtained from the Ministry of Trade and Industry (by contacting Ato Sileshi Lemma, Head of the Textile and Leather Export Development Department – [sileshilemma2002@yahoo.com](mailto:sileshilemma2002@yahoo.com)).

At the moment UNIDO is supporting 2 projects in Ethiopia in related to the leather sector. One is related to the development and promotion of the MADE IN ETHIOPIA campaign on Leather Products and the other project gives support to the LLPTI (Leather and Leather Products Technology Institute). The UNIDO project intends to establish a separate section in the LLPTI for 'service and training' to provide in-service training to the private entrepreneurs in the tanning and leather manufacturing industry.

## Leather Production Chain:

### Sources of raw hides and skins:

- ✓ Rural slaughter
- ✓ Local butchers
- ✓ Urban household slaughter
- ✓ Slaughter houses



## 4. Role of the government and government regulations

*Livestock and Fishery Marketing Department (LFMD)* in the Ministry of Agriculture and Rural Development (MOARD). This is a relatively new organization; up to 2005 there existed the Livestock Marketing Authority (LMA) within the Ministry of Trade.

The LMA was set up in 1998 with the objective of promoting domestic and export markets by initiating policies, laws and regulations, issuing quality control directives on exportable and importable materials, encouraging and establishing staging points and quarantine stations for domestic and export trade, promoting the organization of livestock markets, abattoirs, skins and hides shed, encourage the condition of research on the marketing of animal and animal by-products. The relations between LMA (under the Ministry of Trade) and the Veterinary Department of the Federal MoARD were not very easy due to overlapping roles (in the areas of quality control and licensing), specific problem areas are there on: issue of health certificates, design of slaughterhouses, payment modalities for meat inspectors. This new situation after the establishment of LFMD has probably led to an improved cooperation between marketing and the veterinary services. But no actual information is readily available on the functions and performance of the LFMD and its relation with the veterinary services.

*Veterinary services and food safety:* As mentioned above the responsibilities of the Veterinary Services were not always clear, especially related to meat inspection and issuing the veterinary certificates. Earlier reports indicated problems in this field (low capacity and delays in issuing certificates), however, recently the government has given more attention to this and increased the number of meat inspectors and the quality of their training. Literature does not indicate specific government regulations which cause problems related to meat inspection, food safety and disease control in relation to the local market. This probably means that the regulations are not exceptional. For export the requirements are set by the importing country and related to this only problems have been reported on synchronizing the issue of the certificate with the moment of export. Reportedly meat inspectors from Egypt inspect the slaughterhouses from where the meat is exported to Egypt. There exist Regional Veterinary Laboratories but I have no information about their quality and scope of work. The Ethiopian Agricultural Research Organization runs the national reference laboratory for animal diseases.

*Regulations for export:* A requirement of the National Bank is that all legal exports are conducted through a Letter of Credit. This is difficult especially in the export market for live animals where limited cash advances and further cash on delivery are common systems of payment. Recently this regulation has changed, a Letter of Credit is no longer required for export of live animals, the exporters can now make a deposit with the bank related to the value of the animals to be exported, and this deposit is released after the animals have been paid.

Other problems related to exports of livestock and livestock products are:

- long distance Customs Office from holding ground (export live animals)
- cargo space problems for export of meat
- flight cancellations
- takes a year to get sales tax reimbursement



- transport problems
- occasional delays in obtaining customs certificate

*Live Animals and Meat Exporters' Association of Ethiopia (LAMEA):* The objectives of the association include the provision of trade information (rules and regulations of importing countries, directory of importers, market trends and prices) to its members, facilitation of the trade environment (lobbying, pressure group), provision of a forum for its members and organizing and participating in trade promotion exhibitions in the country and abroad. So far, the association has acted as a bridge between members and relevant government institutions, either through representation or distributing relevant information, it is a forum to discuss critical issues as import bans, customs procedures. Activities of the association have been reduced after the import bans and it is not clear how active the association is at the moment and which role it plays.

*Regulations related to foreign investments:* In 2003 the government promulgated new regulations to stimulate foreign investment. The changes include a reduction of the minimum amount to be invested by foreign firms; this was reduced from US \$ 500,000 to US \$ 100,000. Constraints on investment include poorly developed transportation and communications systems and troubled financial institutions. Some sectors, such as banking remain wholly or partially off-limits to foreign investors (Library of Congress US: Ethiopia Country Profile)

In 2003 the government has developed a package of incentives under Regulation No 84/2003 for investors engaged in new enterprises and expansions. Some of the major incentives are:

- Duty and tax-free imports of investment capital goods and construction materials including spare parts (up to 15 % of the imported capital goods)
- Custom duty and tax-free importation of raw material for production of goods destined for export
- Income tax exemption for 2 – 8 years (depending on area of investment, export volume and location of investment)
- Loss carry forward for losses made during tax holiday
- Remittance of funds, investment guarantee and protection and availing of land at reasonable lease prices.

## 5. Strengths, Weaknesses, Opportunities and Threats (SWOT)

SWOT of the meat sector in Ethiopia (especially related to export potential)

<b>Internal environment</b>	
<b><i>Strengths</i></b>	<b><i>Weaknesses</i></b>
<ul style="list-style-type: none"> <li>• Large livestock population</li> <li>• Potential to increase productivity and off-take</li> <li>• Potential for ranching and feedlots</li> <li>• Low prices of live animals (at source)</li> <li>• Low labour cost</li> <li>• Livestock and meat export firms</li> <li>• Plans for DFZ/ Export zones / export certification</li> <li>• Export slaughterhouses</li> <li>• Multilateral and bilateral support</li> <li>• Projects on small-scale fattening</li> <li>• Donor projects (USAID)</li> <li>• Projects for pastoralist associations</li> <li>• Export promotion policy</li> <li>• Foreign investment policy</li> </ul>	<ul style="list-style-type: none"> <li>• Subsistence production / irregular selling</li> <li>• Land ownership problems</li> <li>• Poor market infrastructure</li> <li>• Poor road transport</li> <li>• Lack of internal market information system</li> <li>• High transaction cost in marketing channel</li> <li>• Illegal border trade</li> <li>• Animal diseases (TAD – OIE list A)</li> <li>• Quality of veterinary services</li> <li>• Lack of chain approach</li> <li>• Obsolete slaughter equipment</li> <li>• Not 'quality' and consumer conscious</li> <li>• Poor export facilities</li> <li>• Shortage of cooling / freezing facilities at the airport *)</li> <li>• Reliability of air transport</li> <li>• Strict financial export procedures</li> <li>• Lack of information (products, quality, procedures) on export markets</li> </ul>
<b>External environment</b>	
<b><i>Opportunities</i></b>	<b><i>Threats</i></b>
<ul style="list-style-type: none"> <li>• High demand in the region (Middle-East and North Africa)</li> <li>• Relatively low sanitary requirements</li> <li>• Potential cooperation with NGO sector</li> <li>• EVD support (Netherlands)</li> <li>• FMO risk capital financing</li> <li>• Joint ventures</li> </ul>	<ul style="list-style-type: none"> <li>• Import bans / sanitary regulations</li> <li>• Competition (Australia, NZ, Sudan)</li> <li>• Land locked country</li> <li>• Natural disasters (drought, famine, conflicts)</li> </ul>

\*) A warehouse with a special cooling unit for meat and carcasses has been inaugurated at Addis Ababa airport the beginning of May 2006.



SWOT on hides and skins and leather industry

<b>Internal environment</b>	
<b><i>Strengths</i></b>	<b><i>Weaknesses</i></b>
<ul style="list-style-type: none"> <li>• Large livestock population</li> <li>• Potential to increase productivity and off-take</li> <li>• High value sheep and goat skins</li> <li>• High tanning capacity</li> <li>• Master Plan and Business Plan for the sector</li> <li>• Export promotion policy</li> <li>• Foreign investment policy</li> </ul>	<ul style="list-style-type: none"> <li>• Subsistence production / irregular selling</li> <li>• Hides and skins frequently damaged</li> <li>• Hides and skins are by-products</li> <li>• Export of semi-processed products</li> <li>• Lack of design knowledge</li> <li>• Lack of trained staff</li> </ul>
<b>External environment</b>	
<b><i>Opportunities</i></b>	<b><i>Threats</i></b>
<ul style="list-style-type: none"> <li>• High demand in Europe</li> <li>• Joint ventures</li> <li>• EVD support (Netherlands)</li> <li>• FMO risk capital financing</li> </ul>	<ul style="list-style-type: none"> <li>• International competition:               <ul style="list-style-type: none"> <li>– export of hides/skins (Italy, India, Pakistan)</li> <li>- import of finished products (China, Turkey)</li> </ul> </li> </ul>

## 6. Future developments

Ethiopia actively promotes foreign investments, exports, private sector development and an Agriculture Development-led Industrialization (ADLI).

*Animal Health and Transboundary Animal Diseases:* The government is currently reviewing technical options aimed at enabling export of live animals and meat from Ethiopia. Three options are being considered mainly for the pastoral areas (see NEPAD and FAO (2005). Bankable investment project profile: Live animals and meat export (preliminary options outline):

1. Establishment of disease free zones (DFZs)  
Ethiopia is considering the establishment of DFZs in Borena, Ogaden, and Afar areas in order to maximize profits from the huge livestock resource in these parts of the country. The zone must be demarcated by natural, artificial or legal barriers, and must be under adequate disease surveillance and movement of livestock must be controlled. Area of around 125,000 sq km.
2. Establishment of Export zones – production export systems – market export systems – commodity based trade;  
A system of zonation and compartmentalization whereby certain areas are declared free of certain list A diseases. An export zone is an area within a country where measures are in place to satisfy all the requirements of a particular importer.
3. Introduction of a system for Examination and Certification of Livestock for Export (EXCELEX)  
This option would create a Examination and Certification system for the animals and products to be exported which is up to the standards and requirements of the importing countries as well as verifiable and open to inspection and audit by the authorities of the importing countries.

Currently studies are undertaken on the 3 options (cost-benefit, sustainability, acceptability, scientific basis, and risk analysis), some of the studies have already finished but the Government has not yet come to any decision in this matter.

Establishment of similar zones in the highland areas would have many comparative advantages but is at the moment not being considered because it would require a transformation of the current mixed crop-livestock farming system into a modern livestock industry. However, if community based ranches could be established, these would foster such a transformation process and enhance the participation of farmers as well as the sustainability of the chosen option. I am not aware that this option is also being considered in the above mentioned studies.

FAO has supported the implementation of EXCELEX in a few of the pastoral areas; however, after the FAO projects were finished no other donors have taken up the projects.

*Role of AU-IBAR (African Union – Inter-African Bureau for Animal Resources):*

<http://www.au-ibar.org/>

AU-IBAR plays an important role in the coordination of Animal Health programmes in Africa, e.g. it is the main coordinator of the EU sponsored project for Pan-African programme for the Control of Epizootics (PACE) and earlier of the Pan-African Rinderpest Eradication Campaign.

AU-IBAR undertakes a number of studies on the animal health situation and coordination of control, harmonization of policies and legal aspects, as well as on the promotion of export of live animals and meat.

Under the auspices of the AU-IBAR a number of studies have been undertaken e.g.:

- An evaluation of the alternatives to meet the sanitary standards for entry into the international trade in animals and animal products (Brückner, 2004)
- An audit of the livestock marketing status in Kenya, Ethiopia and Sudan (Aklilu, 2002)
- See list of references.

*Improvements in the veterinary services:* New laboratory facilities in the regions and new quarantine stations have been developed under the Livestock Development Projects of the African Development Bank. This project also concentrated on the control of CCPP and PPR. Recently the veterinary services have been strengthened with 500 extra meat inspectors; further the services and facilities of the veterinary department have improved.

*Pastoralists' organizations and producers' organizations:*

Many donor and NGO organizations have been involved in livestock development in Africa and have supported Producers' Organizations or Pastoral Organizations to strengthen the position of the farmers and to improve the productivity: These Producers Organizations and Pastoral Organizations play an important role in control of animal diseases, improving animal production and marketing of animals. There is a tendency of both government agencies and NGOs to work towards integrating the pastoral marketing cooperatives with the export slaughterhouses supply chains.

Some examples where Pastoralists' or producers' organizations are active are:

- National Livestock Development Programme (African Development Bank):
- Community Animal Health and Participatory Epidemiology Unit (CAPE): a concept of developing participatory disease control systems through working with NGOs and Community Animal Health Workers (CAHW). Animal disease control is improving in certain areas in Ethiopia following the introduction of para-veterinary staff.
- Non-Government Organizations: GL-CRSP (Global Livestock Cooperative Services Programme –USAID Supported), VOCA (Volunteers in Overseas Cooperative Assistance) and others  
(<http://www.acdivoca.org/acdivoca/Acdivweb2.nsf/whatwedo/ethiopiaace?opendocument>)

The report on Pastoral Livestock Marketing Groups (PLMG) in Southern Ethiopia; Some Preliminary Findings (Aklilu, 2004) indicates that PLMG have been successful in direct trading with exporters.

[http://community.eldis.org/webx?233@308.2oyNauHkeCZ.0@.eea944b!enclosure=.eea944c,](http://community.eldis.org/webx?233@308.2oyNauHkeCZ.0@.eea944b!enclosure=.eea944c)

- Improving Productivity and Market Success of Ethiopian Farmers – IPMS (funded through ILRI). [www.ipms-ethiopia.org](http://www.ipms-ethiopia.org)  
The IPMS project is initiating marketing research on agriculture products including livestock and livestock products in 8 project learning areas in Ethiopia. The research is following the market chain approach. Rapid market appraisal studies are carried out in these areas. In some of the project learning areas peasant associations are involved in credit schemes for fattening of cattle or shoats. The associations do not seem to play so far an active role in marketing of livestock .

- Livestock Market Development Project (USAID): a new project about to start mainly working in pastoral areas (Afar, Somali, Borana zone of Oromia) on livestock marketing, animal health, pastoral organizations etc.

*Hides and skins and leather industry.*

UNIDO has prepared a Master Plan and a Business Plan for the Ethiopian Leather and Leather Products Industry: This document has now officially been adopted as Ethiopia's strategic framework for all further developments in the Ethiopian leather and Leather Product Industry. The business plan proposes a product mix in which the footwear industry is the priority sector to be developed, mainly for export, followed by the leather garments and the leather goods industry. Activities include work on quality and standards, 'certification', improve quality of raw material, capacity building for the private sector, export promotion 'Made in Ethiopia' . See: <http://www.unido.org/file-storage/download/?file%5fid=41848> . The Netherlands Centre for Promotion of Imports from Developing Countries (CBI) is looking at the possibilities to promote imports of leather products (garments and shoes) from Ethiopia. A report on this topic is under preparation.

## 7. Opportunities for new value chains

Based on the findings of this report the following new value chains offer a good perspective for further development:

1. Sale of good quality fresh / chilled or frozen meat for export. There is a demand for these products in the Middle-East countries, Egypt and other North African countries, and several countries in Sub-Saharan Africa. The basic capacity for slaughter is available; some will need improvements in order to meet the quality standards. Cold storage and transport of most slaughterhouses is limited and will need further investments. Animal health care and meat inspection has already improved and is further strengthened by the government. Slaughterhouses and meat exporters could in cooperation with NGOs make contracts with producers' organizations (pastoralists, village fattening groups, etc) for a regular and direct supply of good quality finished/fattened animals (quantity and price). Integration of the meat supply chain would assure a regular supply, reduce marketing cost, reduce weight losses and disease challenges during transport, and facilitate integrated quality control.
2. Sale of good quality fresh / chilled or frozen meat for the top segment of the urban market. This is similar to no. 1 but than for the local more demanding and rich (expatriate) consumer. I have no information available to estimate the size of this market.
3. Production of processed meat for the local market (and possibly for export). At present there is only a limited local production of processed meat (sausages etc.) the major share is imported from Kenya. This could be replaced by local production. It will be easier to give an assurance that these locally produced products do not contain any pork. Processing for the local market could be done on a medium to small scale.
4. Support and cooperation in feed production and feed processing sector: With the present plans for expansion of livestock production (dairy, broilers and layers, fattening) it appeared during the seminar of the Trade Mission that the availability of good quality livestock feed will be one of the major constraints. There is an interest from private feed plants in Ethiopia to cooperate and develop joint activities with Dutch feed companies (e.g. improvement of feed processing, development of new feed formulas, supply of premixes, etc.). At present there is a lack of information on the availability of local feed resources in terms of quality as well as quantity
5. Sale of finished leather and leather products. See also the UNIDO Master Plan for opportunities in this sector. Pastoralists' and producers' organizations could play a role in the supply of raw hides and skins (of better quality). There are opportunities to further process the semi-finished hides and skins into leather and to further manufacture leather into finished products (e.g. garments and shoes) for export or the local market.

Especially when businesses aim at the export market it is important to get control over as much of the supply chain as possible to ensure regular supply of good quality raw material, reduce risks and losses, ensure security in transport, and quality control systems.

## 8. Ecological, social and economic implications

Some thoughts and ideas on the ecological, social and economic consequences from increased investments and trade in the meat sector:

Ecological and environmental consequences:

- Ecological consequences are ambiguous. Improved off-take and fattening could lead to increased use of crop residues and nutrient recycling and reduction of the number of animals. This would reduce problems of overgrazing and land degradation. At the other hand an increased demand for livestock, especially goats and sheep in the pastoral lowlands, could form an incentive for people to rear more animals with the inherent danger of overgrazing and land degradation during droughts. The organizations of pastoralists or producers could play a positive role in the management of communal grazing and feed resources (control of livestock numbers, pasture management, pasture improvement), hence reducing the risks of overgrazing and land degradation.
- Increased use of by-products and crop residues for the production of livestock feed will increase the possibilities of recycling of nutrients.
- Reduced pollution and improved use of by-products as a result of improved equipment and management in slaughterhouses;
- Finishing the whole tanning process and production of final products would increase the profits and the possibility to invest in the reduction of pollution
- Increased marketing opportunities for the sale of raw hides and skins will reduce wastage
- Investments and introduction of improved recycling processes in the tanning and finishing process will reduce waste and pollution from tanneries. At present the dirty part of the tanning takes place in Ethiopia resulting in environmental pollution.
- Increased demand for special sheep and goat skins (Cabretta and Bati) increases the economic value of these breeds and the “conservation of agro-biodiversity through utilization”.

Social consequences:

- Increased involvement of producers' and pastoral organizations in the meat and livestock trade will strengthen these organizations and result in increased employment, cooperation and lobbying power of smallholders and local communities
- Increased demand for especially male cattle for fattening could lead to shortage or price increase of animals for draught and consequently problems in land cultivation and production of food crops;
- Further processing of hides and skins and manufacturing of final leather products increases employment opportunities.

Economic “profit”:

- Increased marketing opportunities for livestock for further fattening or for slaughter increases employment and income opportunities for pastoralists and smallholders
- Increased foreign exchange earnings for the country from the export of meat, meat products and leather products;
- increased employment and income for the labour in the leather products manufacturing industry.



## 9. Opportunities for Dutch Agribusiness and development cooperation

Several market niches with opportunities for development and cooperation are available where the know-how and hardware of the Dutch agri-business could play a role and development cooperation could be supportive for private sector development in the livestock sector. This will most likely not be in the form of direct sales of equipment or investments on the short term. Investments in the Ethiopian meat and leather sector needs development of further contacts and further investigating the opportunities.

The following points are important in making a success of trading and investing in the sector in Ethiopia:

- *Business partners:* To have good and reliable partners in Ethiopia which have a good knowledge of the sector and committed to long term cooperation. Partners will include a commercial business partner but also an NGO (Non-Government Organization) which could facilitate in the contacts with the producers' organizations for the supply of raw material.
- *Chain approach:* to control or cover as many steps in the supply chain as possible (from the producer of raw materials to the sale of the product to consumer or importer) to ensure regular supply of good quality raw material, reduce risks and losses, ensure security in transport, and quality control systems.
- *Support programmes:* to make use of the Dutch support programmes e.g.:
  - EVD (PESP: feasibility studies in preparation of exports and investments; PSOM: promote Dutch investments in Ethiopia; PSB: support for starters on the export market).
  - FMO (Financing for development): loans, guarantees, equity capital
  - Agri-Profocus: support for farmers' and producers' organizations
  - Ministry of Foreign Affairs: Public – Private Partnerships for Development.

Potential areas for cooperation through agribusiness partnerships are:

- upgrading slaughterhouses, meat processing (canning / sausages) and cooling/chilling facilities – storage – transport for the export market as well as the top segment of the local urban market
- participation in the development and capacity building of quality and food safety assurance systems, certification systems
- cooperation in feed production and feed mill sector
- cooperation in the milk production and processing sector
- upgrading and expansion of tanning (finishing) and leather processing
- design and manufacture of leather products for export.

## 10. Conclusion

The livestock and meat sector is a sector with a high potential (large livestock population) but at the same time the present production level is low and the available infrastructure is still insufficient to realize the full potential. Many positive interventions take place in the sector (e.g.: improvements in the veterinary services, government export promotion policy, support for the sector from bilateral and multilateral donors, emerging producers' organizations, increased finishing operations, existence of basic facilities for slaughter and export) which are supportive for further commercial investments. However, there are still many constraints and pitfalls (e.g.: low quality animals, animal disease situation, poorly developed marketing system, limited export facilities, limited feed resources, etc.) which do not make the sector an easy one. However, the Ethiopian government together with bilateral and multilateral organizations and donors is working hard to improve the situation and provide support for investment in the sector and export.

Chapters 7 and 9 review the areas with a potential for development and cooperation with Dutch Agribusiness and development cooperation, these are certainly not short-term profit making opportunities but will require considerable time and further study. Working in the meat and livestock sector and the leather sector will require considerable effort and a long term commitment.

Development cooperation activities could further support these partnerships through e.g.:

- Support for the development of producers organizations in the livestock sector. E.g.
  - pastoral organizations for management of communal land and other resources, disease control, purchase of inputs and sale of animals;
  - producers organizations for the purchase of inputs, fattening and sale of animals
  - producers organizations for purchase of inputs, milk collection and selling of milk
- Making an inventory of the animal feed sector (current situation, constraints and opportunities) and the local available feed resources (quantity and quality). Advice on the development of suitable rations for milk production, fattening, poultry production, etc, based on local available resource if necessary supplemented with imported components or premixes, with the aim to increase the development potential and growth of the livestock sector and to support partnerships with Dutch Agribusiness.
- Review of the current situation, constraints and opportunities for the development of the smallholder dairy sector (milk production and processing), with the aim to identify development opportunities especially for smallholders and investigate a possible role of Dutch Agribusiness.
- Capacity building and technical assistance for agriculture entrepreneurs and producers to improve international market access. Identify the current gaps in knowledge of agriculture entrepreneurs and producers organization which limit international market access and dealing with international traders. The objective would be to develop tailor made capacity building programmes (e.g. on government policy, product quality, chain approach etc) for this target group.

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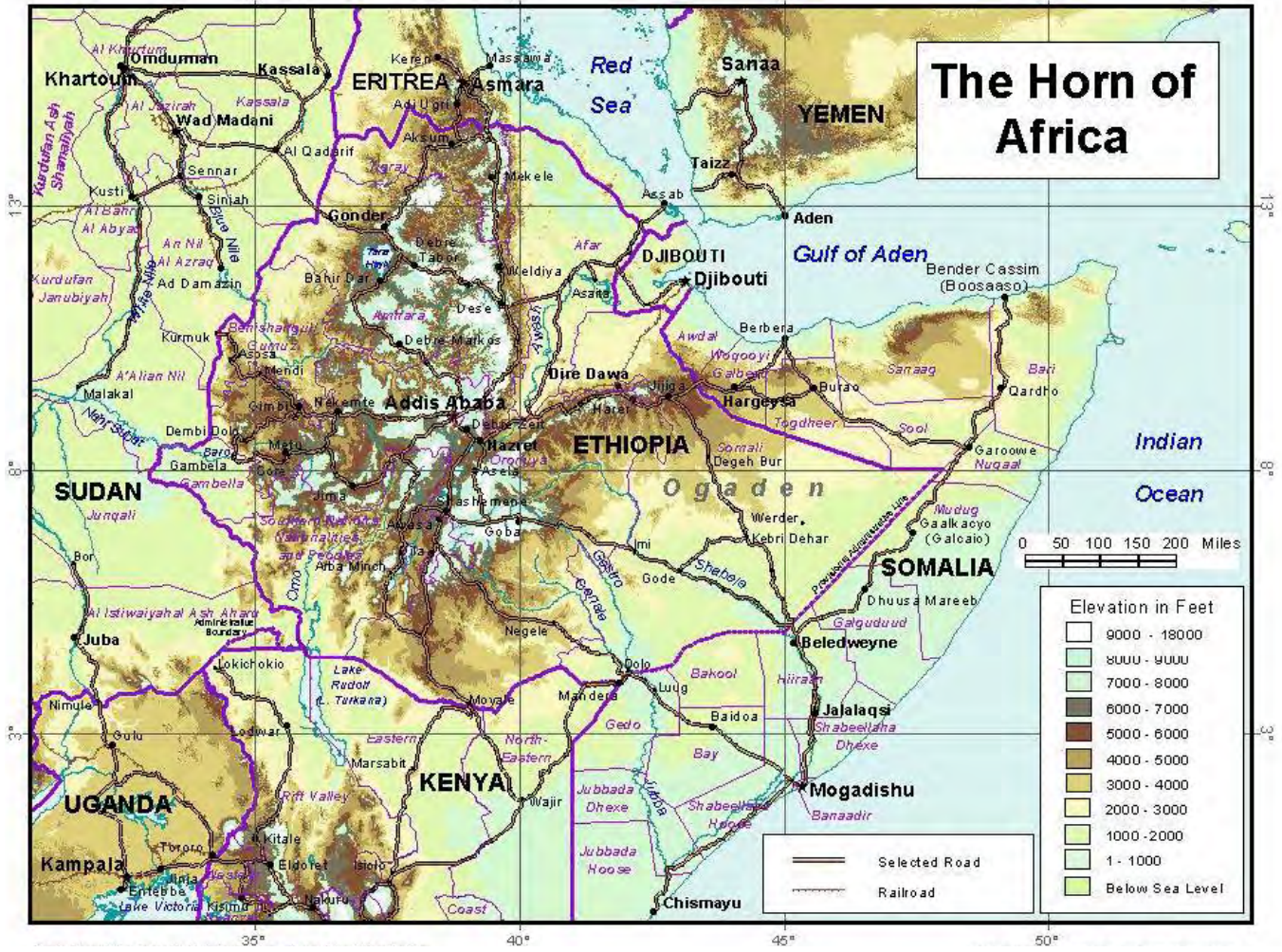
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# Maps of Ethiopia



# Administrative Regions and Zones of Ethiopia

