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making markets work for all

Fruit and Vegetable (FAV) Processing

Market Strategy

July , 2017

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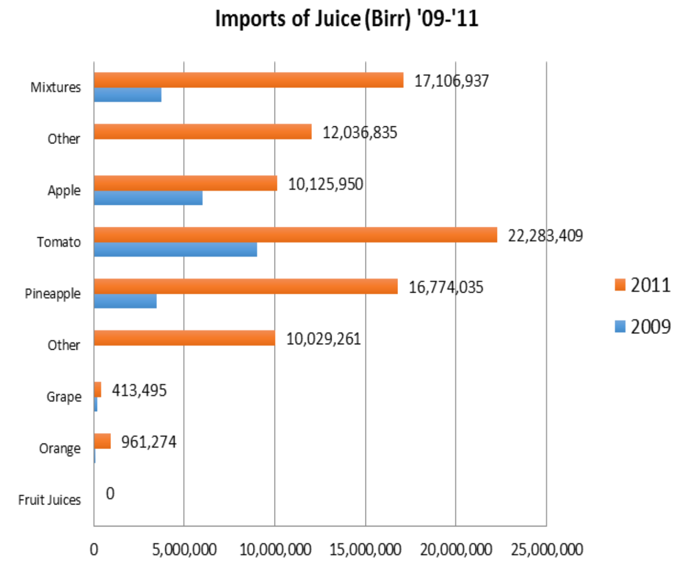
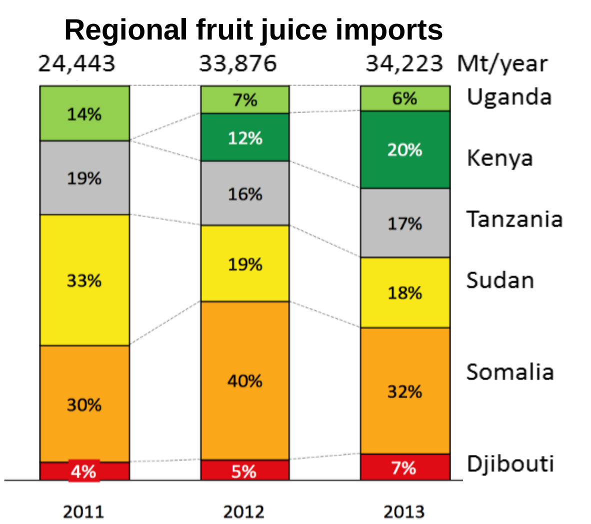
Increasing market demand trend for processed FAV products

National market:

- In six years (2009-2015) value of fruit concentrate imported grew by 141 fold from $ 54k to 7.6 million.
- In year 2015, juice processors imported 1,537.2 tons of mango concentrate from India, Egypt, Yemen, Israel, UAE and Turkey valued about 1,245,753 USD.
- In Nine years (2006-2015) value of imported processed FAV products increased by 16% from over $3.82 to 22.71 million.
- In 2015 117.5 tons of different potato products valued to over $ 512K is imported.
- Current demand for processed tomato products in urban centres of the country is estimated to over 25K tons/year.
  - Of which only10% is satisfied through local production while import is estimated to cover additional 15% leaving the balance to be covered through home made or illegally imported.





Regional Market:

- Huge regional market for processed FAV products mostly importing from Middle east and Europe.

Source: MoI /FBIDI 2016,

FAV processing secured GoE strategic importance:

GTPs , IAIPs & 10 years FAV Industries Development Strategy (2015-2015)

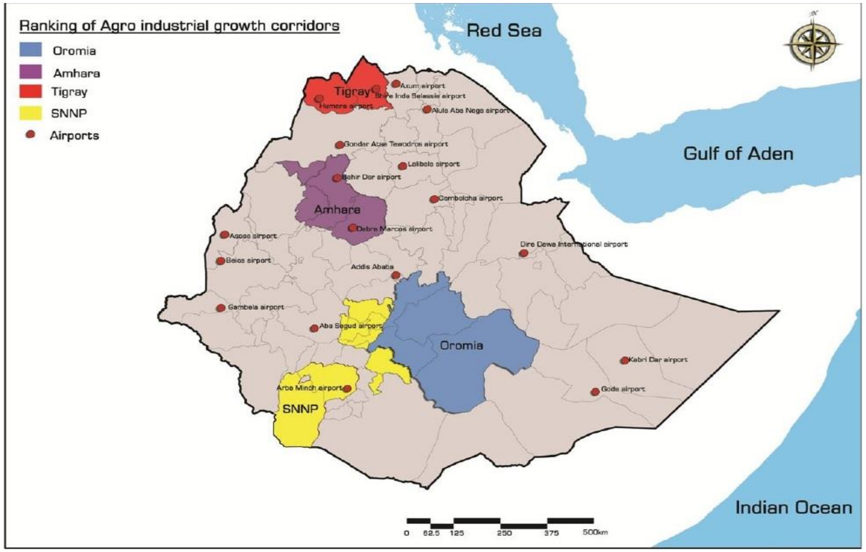
- Within framework of GTP II, the 10 years Fruit & Vegetable Industries development plan targeted to:
  - **Improve production of fruit and vegetables by 20 fold** from about 5 million to 100 million tons.
  - **Upgrade capacities of existing FAV processing industries** from the current 19% to full capacity utilization.
  - **Support all fruit and vegetables growing regions build new FAV processing plants**.
  - **Increase the manpower engaged in horticulture industry by four folds** to 1.5 million by 2025 with intermediate target of 750K by 2019/20 from the present 350K in 2015/16.

- During GTP II, **medium and large horticulture industries** will be **supported and encouraged to setup their own research units.**

- GoE to build and setup **Integrated Agro Industrial Parks (IAIPs) in 4 regions**: Oromia, Tigray, Amhara and SNNPR.

- Prioritize and **provide incentive for selected horticulture industries**

- Committed to **basic Infrastructure development**:
  - Transportation (Road, Rail & Air)
  - Communication
  - Power



Source: Fruit & Vegetable Industries' Development Strategy 92015-2025), MoI;
Fruits and Vegetables Research & Development Roadmap, April 2016, FDRE Policy Study & Research Centre;

Country advantage due to unique favourable climatic conditions and low factor production costs & proximity to export destinations

- Wide range of agro-climatic conditions and soil types that favors:
  - Production of diverse varieties of Fruits and vegetables; including temperate, tropical and subtropical crops.
  - Year round production in the country.
- Untapped production resources:
  - 3.5 million ha of potentially irrigable land area of which about 1.61 million ha is net production area and Currently only 4.6% is used.
  - Told as “water tower of North East Africa”, Ethiopia has an estimated volume of 122 Billion M^3 of water resource, enough to irrigate about 10 million hectares of land.
- Ease of access to production resources:
  - Long term with low rate land leasing conditions.
  - Favourable water resources management policies.
- Availability of labour with exposure to agricultural production:
  - Approx. 20% of Ethiopia's population is between the age of 15 & 24 years old of which 25% is unemployed. Current Population is estimated to 104.6 million UN Department of Economic and Social Affairs: Population Division
  - Currently agriculture provides 85% of employment in Ethiopia.

Source: Fruit & Vegetable Industries’ Development Strategy (2015-2025), MoI;
Fruits and Vegetables Research & Development Roadmap, April 2016, FDRE Policy Study & Research Centre;

FAV processing sector under developed :

- The enabling environment in the Ethiopian FAV value chain development is relatively weak as compared to other food crops like cereals.
- Number of FAV processing industries is so small, currently only about 21 are understood to operate of 41 registered. (details on next slides)
- Presently, plants process limited types of products: Pastes, marmalade , vegetable soup, frozen vegetables, wine, fruit juices, nectars, chips, vinegar and dried products
- Majority of the existing processors rely on import of concentrates since the Fruit and vegetables value chain is not developed.

Market Trend and Opportunities

FAV processing sector under developed : of the 41 registered only 21 understood to be operational

List of processors:

	Company Name	Main Product	Capacity	Location
1	Africa Juice Tibila S.C.	Concentrated passion fruit and mango pulp	2.5tone/hr	Oromia,Tibila
2	Petram Mango Juice Plc.	Mango juice	4500liter/day	Oromia, sebeta
3	Zamalik Juice Plc.	Mango juice	25,000 liter	AA, Lafto
4	Pico Juice Factory S.C.	Mango juice	27,000liter/day	AA (Kality)
		Apple juice	15,200liter/day	
5	Nanfisha Industries Plc	Juice	5000liter/day	AA(N/S/Lafto)
6	Great Abyssinia Plc.	Pregat mango juice	25,344 liter/day	Oromia (Sululta)
7	Tseday Agro-Industry Plc.	Strawberry jam	67.2tones/yr.	Addis Ababa
		Mango jam	12.6tones/yr	
		Passion fruit jam	4.2tone/yr	
8	Afran Global Business Plc.	Mango juice	12,532 liter/day	Oromia (Sendafa)
	Horizon Plantation Plc.	Orange marmalade, strawberry jam, Tomato paste & Juice, Guava nectar	1,892MT/yr	Upper Awash
10	Laviva Fresh Food Plc.	Processed vegetable products, Mayonnaise, Hummus, Egg plant	250tones/yr	Oromia, Legetafo
11	Mesdaw Plc.	Strawberry jam	480000kg/yr	AA, Gulelle
12	Sebeta Agro-Industry Plc.	Apple Juice, Mango & Orange nectar		Oromia, Sebeta
13	Upper Awash Agro-Industry Plc.	Tomato paste(850g)	2,273MT/yr	Oromia, Merti
		Orange Marmalade(450G)	630MT/yr	
		Tomato juice(420ml)	1,952MT/yr	
14	Nuredin Hassan	Jam	467MT/yr	Oromia,Lebu
15	Guli Food Industry Plc.	Mango Juice	864 MT/Yr	Oromia, Dukem
		Orange Juice		
16	Asku (Ethio-Pikana Juice) Plc	Orange Juice		Oromia, Burayu
17	Birhane Jam processing PLc.	Mango Jam	155 MT/yr	AA, Hanna Maryam
		Strawberry Jam		
18	Zedeye Plc			
19	Yummy Juice Plc			
20	Tasty foods			
20	Addis International catering Plc	Meal/snack foods		Bole Addis Ababa
21	Ecopia (ecological Products of Ethiopia) Plc	Fruit products (pure jams, mixed jams, compotes, dried)		Addis Ababa
		vegetable products (pickles, dried, instant soups, antipasti and tomato products)		

Understood operational

Sources: Fruit & Vegetbale Industries' Developmnet Startegy (2015-2025), June 2015 MoI; FBPIDI report 2017.

FAV processing sector under developed :

	List of processors:			
22	Melge-Wondo food processing company	Tomato Paste, Vegetable soup		Wondo Genet
23	Gondar Food processing factory	Tomato Paste		Gondar
24	Shalkan Food & Beverages Industry plc.	Fruit Juice		Addis Ababa
25	Hassan Abdi	processing of fruits & vegetables		Dire Dawa
26	Tadesse Metekiya	Fruit Juice		Addis Ababa
27	Tec-Agro Ethiopia Plc.	Spices, Fruits & vegetables farming and processing		Multi regional
28	Asmelash Hadus	Raw lemon fruit drying		Addis Ababa
29	YL Plc.	Vinegar & fruit Juice Production		Addis Ababa
30	Africa cold storage system international PLc.	Vegetable, fruit and meat processing		Addis Ababa
31	Adem Yusuf Hassan	Fruit & Vegetables processing		Addis Ababa
32	Meftu Abdulgafil Kalil	Fruit processing		Addis Ababa
33	Seid Damtew	Fruits & vegetbale processing		Oromia, Alemgena
34	Pacific industries Plc. (Meftu Abdulgafil Kal	Fruit Porcessing		Oromia, Alemgena
35	Fikru Worku	Fruit & Vegetable processing		DireDawa
36	Makarina Food industries (Abdulmoniem Abdala Mohamed)	Vegetable & fruit processing		Addis Ababa
37	Sun bless Ethiopia Plc	Fruit and Vegetable farming & processing		Multi regional
38	Lance Frederick Reynaud	Framing & processing of vegetbales & fruits		Amhara
39	Feleke Mekonen	Fruit Processing		Amhara
40	Salahaldeen I H Almethen	Manufacturing of Dehydrated Fruit, Nuts and Spices		Addis Ababa
	Reported operational			
	Sources: Fruit & Vegetbale Industries' Developmnet Startegy (2015-2025), June 2015 MoI; FBPIDI report 2017.			

Processing optimizes smallholders' income through promoting fair & reliable market and creating job for the jobless:

Profile of the Poor in FAV sector:

- Smallholder producers (supplier):
  - With average farm area of 0.25 hectares numbering to 16.5 million.
  - Supplying local market or brokers.
  - With traditional production practices.
- Farm workers earning about USD 2 daily wage:
  - Farm workers.
  - Packing & loading workers.
- Processing plant workers

Job creation:

- In 2015/16 manpower engaged in horticulture is about 350K. GTP II targeted to increase by four folds to 1.5 million in 10 years by 2025 and with intermediary target of 750,000 for 2019/20.

Wealth creation:

- Smallholder farmers access to fair & reliable market resulting in income increase by 50% at average.
- Create better & sustainable income for the landless through jobs created by farmers and processors.

Source: Fruit & Vegetable Industries' Development Strategy (2015-2025), MoI;
Fruits and Vegetables Research & Development Roadmap, April 2016, FDRE Policy Study & Research Centre;

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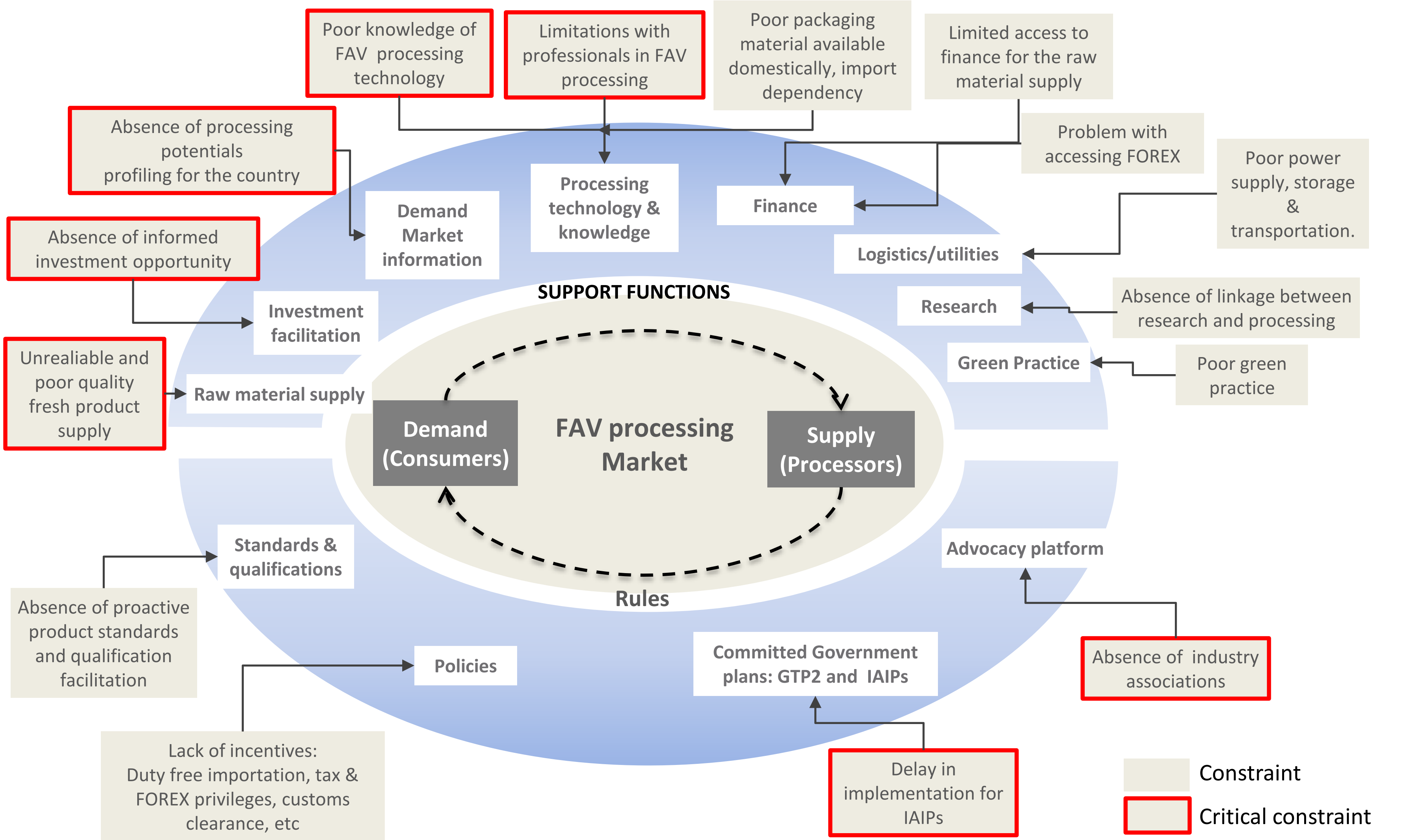
Snapshot of Constraints

FAV Processing impaired by underdeveloped fresh product supply, lack of market driven information, investment facilitation and poor processing knowledge/technology.



Support Functions and Rules scenario

Raw material supply

- Production (What, how much and in what mix to grow) is decided by farmers based on previous season's market and availability of working capital with less concern on market prospects.
- Generally Supply from smallholders is inconsistent with poor quality and is manipulated by middle men.
- Post harvest handling/logistics: Perishables Storage and transportation services are underdeveloped.

Investment facilitation

- Weak coordination between relevant government offices meant to support the FAV processing (MoANR, MoI, etc)
- Low staff awareness on the processing technology and potential's of the country.
- Absence of country profile menu to ease the FAV processing investment in Ethiopia.

demand Market information

- Products are processed based on given or traditional norms without customizing to own (e.g., Ethiopian) markets preferences.
- No practice of customizing products to target market (product taste, flavor, packaging, shape, etc.)

Processing technology & knowledge

- No practice of customizing processing technology to local and market place conditions. (
- Absence tracking dynamics with processing technology .

Support Functions and Rules scenario

Finance	• Problem with foreign currency accessing. • Absence of supportive loan facility for FAV processing specially with upstream financing (the raw material supply). • Absence of duty and tax incentives. • Inefficient banking service
Logistics/utilities	• Frequent power breakdown and fluctuation. • In appropriate transportation services for perishables and processed (FAV). • Poor storage on farms and market places. • Increasing costs of transportation and handling. • Improving transportation infrastructures: improved road standards and network; railways network.
Research	• Absence of coordination between research and processing industry. • Luck of advisory services on appropriate technology and socio-ecologically friendly practices along the processing value chain from “farm to fork”. • Poor Business management practices.

Support Functions and Rules scenario

Standards & qualifications	• Lack of input/output quality and standardization capacity. • Absence of proactive standards and certification services. • Poor awareness on the benefits of standardization and compliance by processors. • Poor promotional and regulatory services with processed products.
Policies	• Existence of strong strategic level policies and strategies. • Weak strategic linkage between the processing industry and fruit & vegetable sub sector. • Limited FDI flow as compared to the need for industrialization.
Committed Government plans: GTP2 and IAIPs	• Conducive environment and facilitative government policies. • Delay in realization of policies. • Improvement in power generation and transportation infrastructures.
Advocacy platform	• Absence of experience sharing and advocacy plat forms (processors association etc.,) • Lack of linkage between professional societies and processors. • Absence of coordination between processing value chain actors.

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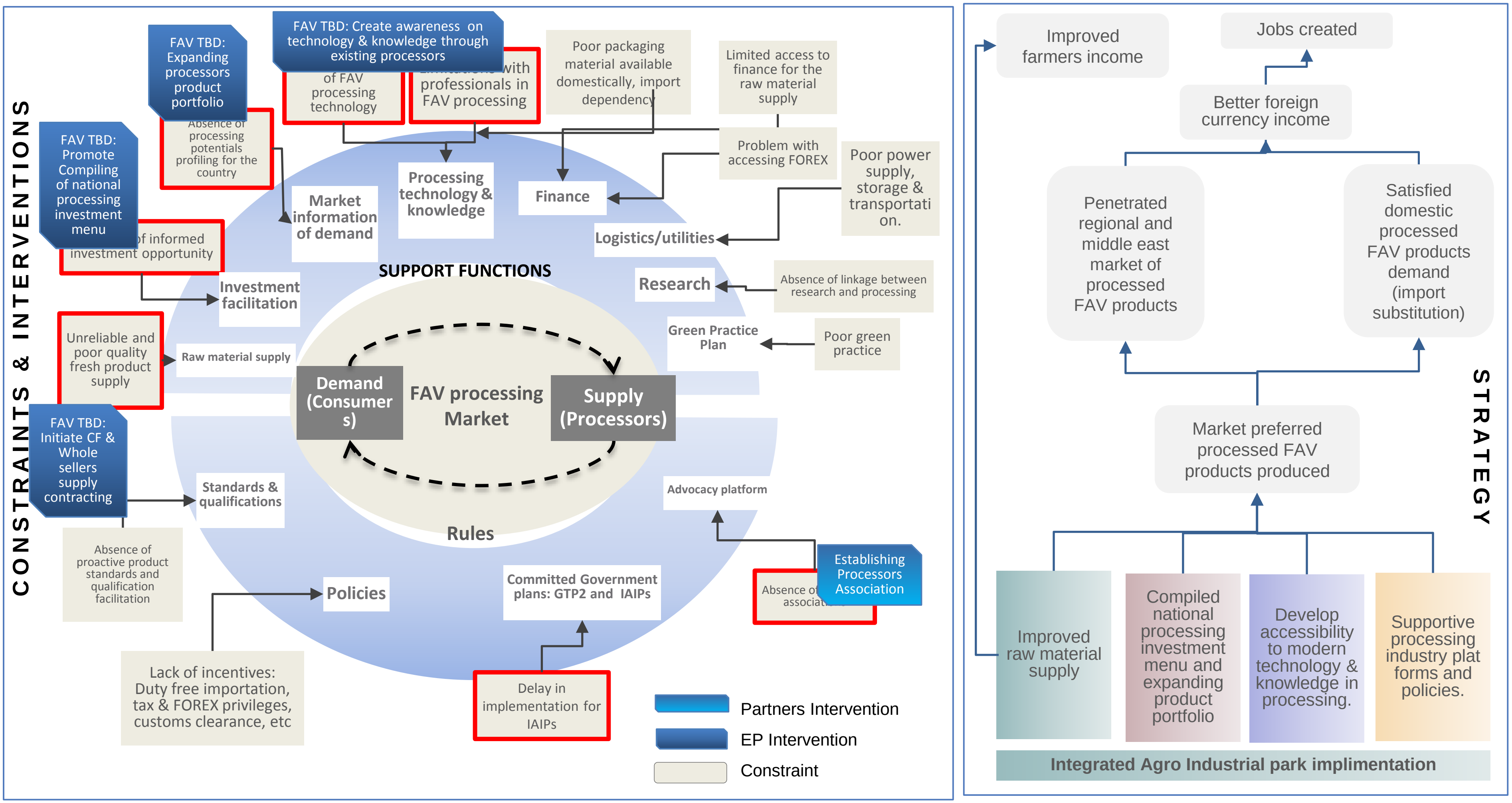
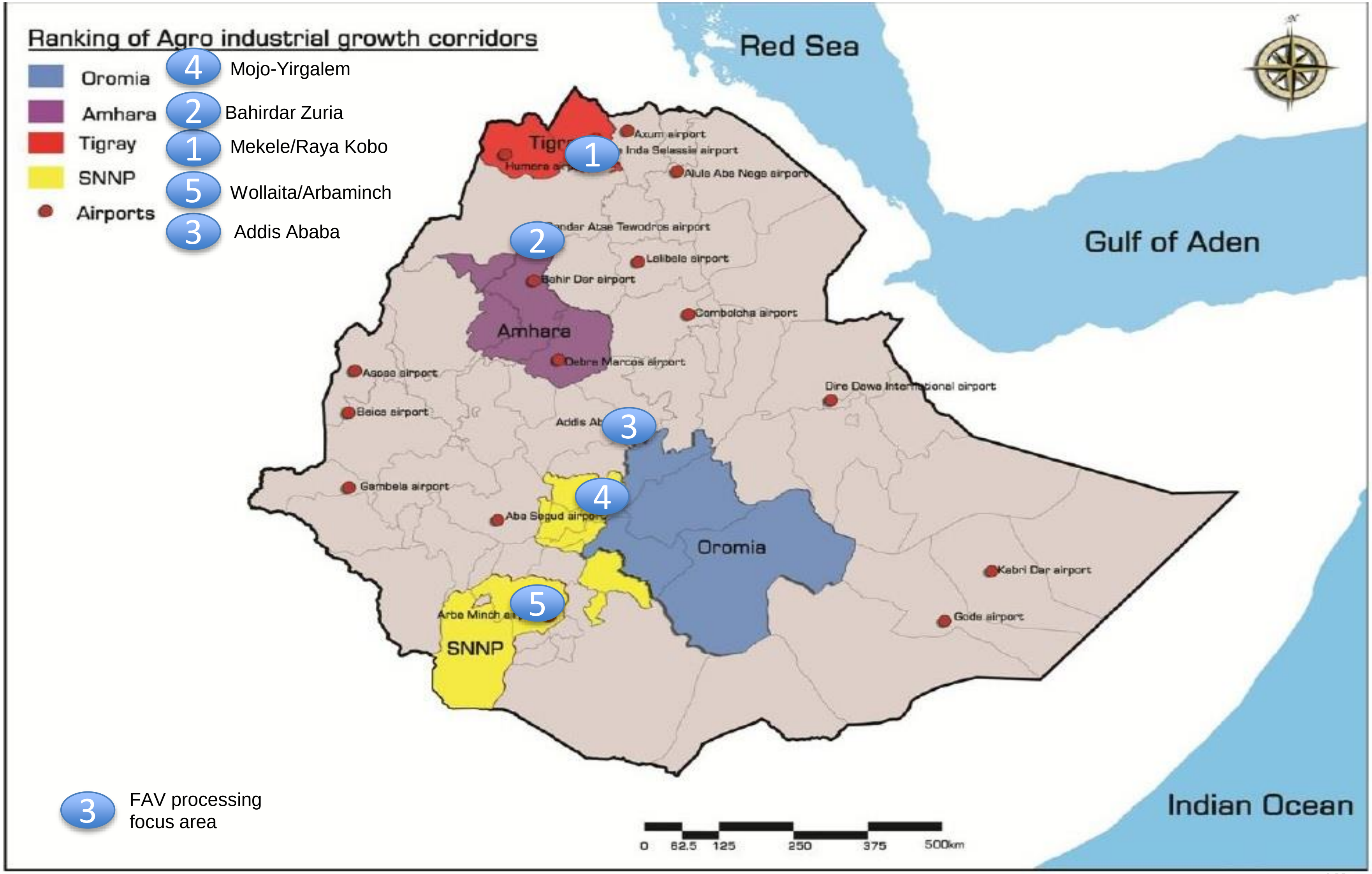
FAV processing: Market Vision

Ethiopia produces internationally market competitive processed FAV products leading to foreign currency generation through import substitution and exporting. This will result in increased income of FAV farmers and better job opportunity for the women in processing industry.



Red boundary boxes in support functions and rules indicate critical constraints.
Dark Blue (for EP) and Light blue (for partner) in support function and rules relate indicate interventions idetifed.

The Agro-industrial growth corridors & neighbouring pockets



Active intervention 1

FAV TBD: Initiate CF & Whole sellers supply contracting

Main Constraints

- Shortage of raw material supply for processors. The FBPIDI reported that processors are operating at 19% of their capacity mainly due to raw material shortage
- Poor quality produce for processing.
- Unpredictable supply and pricing of FAV produces.

Intervention Storyline

- From FAV-01B (Mulualem Tomato Processing project) supply of raw material through smallholders out growers scheme has been challenge and also from workshop of processors it is highlighted that supply of raw material is biggest challenge experienced. Thus most oft them are forced to import concentrates where accessing of foreign currency for the purpose is hard as well.
- As an outcome of the workshop facilitated for the processors addressing of the raw material supply was listed as critical area of intervention for promoting processing industry in Ethiopia.
- On the other hand there are FAV commercial farms destined mainly for export market (but produce for domestic market off-export season), emerging market-oriented smallholder farmers (producing on rented lands) and whole sellers those supply the neighbouring countries (Djibouti, Somalia, Sudan) and bigger domestic markets.
- Thus, considering the demand from the Processors and existing supply practices with the above mentioned market actors, this intervention is designed to facilitate market linkage to address the raw material challenge in FAV processing industry.

Partners

- Commercial farms, emerging smallholder farmers, whole sellers
- Processors

Innovation

- FAV Supply contract between processors and partners (CF, ESF. WS). Scheduled delivery by time, crop type; quality defined,

Active intervention 2

FAV TBD: Expanding processors product portfolio

Main Constraints

- Absence of processing potential profiling of Ethiopia is hampering the imminent growth of the agro processors. Currently the processors are functioning only at 19% of their capacity and they are producing regular products which are supply driven. Not much analysis have gone into either how processed products should be prepared based on domestic need or different processed products can be produced from the existing crop portfolio.

Intervention Storyline

- The intervention will do a deep dive analysis on the crop portfolio that are being used by current agro-processors and come up with different processing product menu that are demanded by domestic and export market. This will enable the agro-processors to access market information on demand clearly and expand their processing product portfolio; resulting processing capacity optimization and expansion of business.

Partners

- 6-8 existing processors
- Local and internation technical expertise

Innovation

- FAV processors expanding their product portfolio

Active intervention 3

FAV TBD: Promote Compiling of national processing investment menu

Main Constraints

Investment in FAV processing is loosely steered by FBPIDI, without strategic insight due to the following main reasons:

- Absence of information on national production by crop details, volume, location, etc.,
- Lack of details on processed FAV products market volumes, principles (standards, codes) and dynamics.
- Lack of knowledge on types of processed FAV products and processing technologies.

Intervention Storyline

- FBIDI experienced increasing number of requests from investors on advising with investing opportunities in FAV processing in Ethiopia. In addition, FBIDI as mandated to appraise the investment proposals in processing, lacks well collated data relevant for proper assessment of the proposals. Thus forwarded request for EP's partnership to compile a guiding menu to that effect.
- In addition, the same has been identified as "Strategic Investment promotion" on the workshop facilitated with the FAV processing stakeholders on July 11th 2017. Thus, this intervention is designed to improve facilitation of the FAV processing strategically.

Partners

- FBIDI

Innovation

- A dynamic system with FAV processing investment menu that facilitates steering functioning of FBIDI.

Active intervention 4

FAV TBD: Create awareness on technology & knowledge through existing processors

Main Constraints

- Lack of familiarisation with generations of processing technologies.
- Lack of experience with customized processed product processing .

Intervention Storyline

- It is understood that most of domestic processors are processing and packaging products by copying from others. Thus need for creating market specific products is identified on the workshop. Accordingly, it is agreed to assess the technology & knowledge gap with existing processors and recommend on developing approach on tracking & catch-up of the FAV processing technologies appropriate for specific market and produce.

Partners

- 6 to 8 processors from operational ones.
- Relevant government offices.

Innovation

- Tool for tracking and accordingly aligning processing investments.

Learning to date:

Learning	Implication
• Supply of raw materials through out growers scheme is constrained by absence financing facility. (FAV-01B Mulualem) • Farmers unions are institutionally weak in decision making. (FAV-01A MMBCU)	• <u>Short term:</u> Facilitate engagement of Commercial farmers, whole sellers and emerging smallholders in supplying of raw materials for processors. • <u>Long term:</u> • Need for promoting options for engaging financial institutions in out growers schemes. • Capacity building of Farmers unions

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Abbreviations

Abbreviations	
FBPIDI	Food Beverages Pharmaceuticals Industries Development Institute
CSA	Central Statistics Agency of Ethiopia
EP	Enterprise Partners
FAV	Fruit And Vegetables
FDI	Foreign Direct Investment
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan
MoI	Ministry of Industry
IAIP	Integrated Agro-processing Industries Park

Reference Documents

Reference Documents
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Thank You

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