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# Agricultural Growth Program- Livestock Market Development

## End Market Analysis for Meat/Live Animals, Leather and Leather Products, Dairy Products Value Chains *Expanding Livestock Markets for the Small-Holder Producers*



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## LIST OF ACRONYMS

AED	United Arab Emirates dirham
AGP-LMD	Agricultural Growth Program - Livestock Market Development Program
CAR	Central African Republic
CBPP	Contagious Bovine Pleuropneumonia
CCPP	Contagious Caprine Pleuropneumonia
CSA	Central Statistical Agency of Ethiopia
DEMA	Domestic End Market Analysis
DRC	Democratic Republic of Congo
EMA	End market analysis
ERCA	Ethiopian Revenues and Customs Authority
ESL	Ethiopia Shipping Lines
ET	Ethiopian Airlines
ETB	Ethiopian Birr
FAO	Food and Agriculture Organization
FMD	Foot and Mouth Disease
FMHACA	Food, Medicine and Health Care Administration and Control Authority
GoE	Government of Ethiopia
HACCP	Hazard analysis and critical control points
HS	Harmonized Commodity Description and Coding System
HSL	Hides, Skins and Leather
ISIC	The International Standard Industrial Classification of All Economic Activities
ISO	International Organization for Standardization
LC	Letter of Credit
LE	Egyptian Pound
LIDI	Leather Industry Development Institute
LoL	Land o' Lakes, Inc.
LSD	Lumpy Skin Disease
MLA	Meat and Live Animals
MSE	Micro and Small Enterprises
PPR	Peste des Petits Ruminants
RVF	Rift Valley Fever
SAI	Sebeta Agro Industry
SNNPR	Southern Nations, Nationalities, and Peoples' Region
SNV	SNV Netherlands Development Organization
SPS	Sanitary-Phytosanitary
SPS-LMM	Sanitary and Phytosanitary and Livestock and Meat Marketing
TAIP	Timret Agro Industry Processing
TIN	Trade License Identification Number
UAE	United Arab Emirates
UHT	Ultra High Temperature milk
USA	United States of America
USAID	United States Agency for International Development
USD	United States dollar
VAT	Value Added Tax

## EXECUTIVE SUMMARY

Ethiopians have been engaged in livestock production and trade for centuries and much of the business of livestock production is not that much different today than what it has been over the years. Yet in a hyper-competitive global economy that demands instantaneous changes to product design and ever higher standards of quality and supply, gaining and maintaining market share, even in one own market is more challenging than ever. For instance, in order to gain more than the one-tenth of one percent of the world's global meat exports (Ethiopia's current share), the industry and government need to adopt new approaches to the livestock trade (and to its many by-products like leather and dairy) and change old habits and customs that are only preventing the industry from taking a significantly larger share of global trade.

Actors along the value chain also need to target and grasp new opportunities and employ creative approaches supplying and developing new products for new and existing markets. A bright spot for the Ethiopian leather industry is the production of leather gloves, which has only recently begun operating in the country. The glove industry, which is currently strictly focused on export markets, is in its infancy and expected to grow quickly in the years to come as more investors discover that Ethiopian hair sheep skin is one of the best materials in the world for making fashion and sports gloves because of its softness and strength. These are the types of new products and industrial ideas that will propel the industry forward.

Ethiopia has a number of livestock value chain market opportunities that if realized will power the growth of the livestock industry and value chain as well as the overall economy. Some examples of these opportunities and challenges include:

### **Live Animals**

Ethiopia currently exports through formal market channels nearly half a million head of animals per year and those numbers are increasing by 15-25% per year. This rapid rise in the export of live animals creates a conundrum for the country because by lowering the number of live animals exported, Ethiopia would see a reduction in the overall revenue attributed to live animal exports; but the animals that remain in the country will be processed into value added products such as meat, leather and leather products, which will create more jobs and new export markets. An increase in the number of live animals exported, on the other hand, would generate growth in the amount of revenue (GDP) to the country, but the meat and hides, skins and leather industries would continue to suffer shortages of raw material. Addressing the export market for live animals is a balancing act that the Government of Ethiopia and the value chain actors will need to address in order to reach a balance that satisfies the entire value chain.

### **Meat**

Ethiopia has potential to increase the volumes and values of domestic and export sales of meat and meat products. This could be achieved by increasing Borena beef exports, expanding commercialization of production and marketing of livestock, diversifying into other products such as the processing of sausages and other similar types of meat and boosting domestic consumption. However, in order to achieve greater sales and exports, a number of challenges must be met including poor product quality, which is the most pronounced concern to be addressed, followed by improving price competitiveness and strengthening business relationships. Most of the recommended actions to improve the marketing of live animals will also contribute to increasing the quality of Ethiopian meat, such as improving traceability systems, moving toward specialization of cattle-raising and improving feed, breeding and vaccination practices and upgrading the transparency of livestock trading systems.

### **Leather and Leather Products**

The Ethiopian leather industry has significant potential to become a world class supplier of high quality finished leather and leather products, including shoes, garments, gloves and accessories. Foreign investors have been increasingly discovering Ethiopia's potential. The government of Ethiopia has made the leather and leather products value chain among the top four priority industries in the country due to its strong backward linkages to the rural economy aiding in the alleviation of

poverty and its potential for increasing exports and hence the flow of foreign currency into the economy. If the industry players can move beyond the challenges of raw material quality and supply, the Ethiopian brand of leather production has unlimited potential for growth in the coming decade.

## **Dairy**

Ethiopia's domestic dairy industry is limited in terms of demand by the low per capita consumption of milk, the predominance of informal, unpasteurized sales (90% in Addis Ababa, 95% nationally), and demand that fluctuates according to fasting periods. Consumers do not have confidence in the quality of milk. Milk prices in urban areas are not easily affordable for middle and low income customers. The opportunity for the dairy industry is to increase demand by promoting the nutritional benefits of milk, coupled with improving the product's quality and reputation, and reducing prices and increasing availability through improvements in value chain productivity and logistics. The industry could also introduce new products and packaging that cater to the consumption patterns of different consumer segments, that extend shelf life, and that meet the price points of middle and low income customers.

## **Common and Cross-cutting Issues**

The domestic and international end markets identified several common and cross-cutting issues, including:

### **Prices and Inflation**

Prices increases and inflation have been and continue to be important issues that are dramatically impacting the price competitiveness of a number of Ethiopian industries tied to the livestock value chain. These include meat for the export and domestic markets, and live animals for export. Price increases have had such an impact that major Egyptian importers have recently stopped all imports of meat into Egypt. The VCAs identified many opportunities to control costs and improve productivity and efficiency within the value chains. Actions that reduce costs, and hence prices, will be key factors to enable Ethiopia's price competitiveness.

### **Identification and tracing**

With the recent events in Europe arising from the discovery of horse and other meat traces in products claimed to be 100% beef, it is very likely that traceability requirements worldwide will become more severe. The Ethiopian livestock industry will as a consequence need to comply with what is expected to be even stricter traceability requirements in order to enter most markets in the world. The most commonly used method of identification in Ethiopia is placing plastic ear tags on the animals, however, there are currently no standard or widespread traceability record keeping systems in use in Ethiopia designed to track the origination of live animals and trace them through the production process (raising, fattening, veterinary, slaughter, packaging, storing and transport).

### **Quality, Certification and Reputation**

In 2005, Ethiopia lagged far behind competitors such as Brazil, Australia, India, Namibia and others, which had already met international Sanitary-Phytosanitary (SPS) requirements for meat and live animal exports. However, through the work of targeted government policy, development projects and investment by private industry, Ethiopia is improving its reputation for producing higher quality goods from the livestock value chain. For instance,

- The Sanitary and Phytosanitary and Livestock and Meat Marketing (SPS-LMM) Program final report concluded that Ethiopia was improving all its systems to meet international standards and rated Ethiopia as a country with an "improving animal health system."<sup>1</sup>
- Beginning in 2008/2009, the government of Ethiopia established a 150% tax on the export of semi-finished leather, prompting the Ethiopian tanneries to invest in new technology designed to produce higher quality leather.
- Ethiopian shoe companies are becoming known for producing a globally competitive 'men's black classic dress shoe'. Recently a major Italian shoe consortium, Consortio Toscana

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<sup>1</sup> Norman Borlaug Institute for International Agriculture, and The Ministry of Agriculture, 2011

announced its intention to buy as much as USD 5 million in women's shoes for the European fashion market.

- All of the operating export abattoirs in Ethiopia are certified for Halal. Most are HACCP certified and those that are not are in the process of obtaining the certificate.
- Four new dairy processing investments are being developed by private investors.

There are still many areas where Ethiopia needs to address quality and introduce standards and certifications, including animal health, husbandry and off-take, slaughtering and flaying processes, logistics and much more. These measures to improve quality are discussed in depth in the VCAs. They are essential for Ethiopia to succeed in increasing domestic consumption, and to succeed in export markets.

### Branding Ethiopia

There are clear preferences in both the domestic and export markets for various products originating from the Ethiopian livestock value chain. For instance certain meats from Ethiopia are favored by Egyptian consumers; domestic cattle breeds and some breeds of sheep are considered superior by Middle Eastern buyers; and the leather from sheep indigenous to Ethiopia is prized by high-end consumers in Europe and the United States. This points to the potential for branding certain products derived from the livestock value chain as sourced from Ethiopia.

### Trade Fairs

Attending and exhibiting at the right trade fairs is one of the best ways for companies in developing and transitional economies to establish contacts and gain access to new markets. Ethiopian companies working in leather, meat and dairy have a number of opportunities to actively promote Ethiopian goods at industry trade shows in targeted end-market destinations such as Turkey, Italy, UAE, Kenya as well as in Ethiopia. For instance the All-African Leather Fair, which was held in Addis Ababa between 20 February and 22 February, 2013, was not only a good venue for Ethiopian and other Africa producers to show off their production, but important buyers from Europe, Asia and the Middle East were also in Addis to meet with potential new suppliers and identify market opportunities. This trade fair generated one deal with an Italian buyer worth USD 5 million for two Ethiopian leather products manufacturers.

### Developing buyer-seller relationships

Several importers with whom the LMD market research team met, particularly in the live animal and meat value chains, complained about the difficulties they encountered when conducting business with their Ethiopian counterparts. Complaints included spotty relationships driven by marginal price differences and not responding to basic business communications, particularly when addressing complaints. The industry might want to consider approaches to improving buyer-seller relationships, including holding reverse trade fairs in Ethiopia which would involve inviting interested and potential buyers to the country to meet with and begin developing productive business relationships.

## METHODOLOGY

The methodology for collecting data was largely through intensive one-on-one interviews, focus group discussions, surveys and market observations in selected end markets based on designed interview questionnaires as well as a desk review. In addition to exploring the domestic market covering Addis Ababa and major towns in the four AGP-LMDP regions, team members traveled to end-market destinations to speak to traders/importers; processors; retail outlets; wholesalers; leading trade associations; transporters; consumer groups; Ethiopian embassies/consulates; representative host country government ministries; investor groups/potential investors.

These market research visits, which were conducted between 9 February and 1 March, 2013, included research in Egypt, United Arab Emirates, Angola, Democratic Republic of Congo, Kenya, Turkey and Italy. Each country visit lasted from four to six days<sup>2</sup>. Annexes 2 through 8 summarize details of the market information within the countries visited. Country teams included one technical staff member of the LMD project, as well as specialists from the Ethiopian Government. On three of the country trips – Egypt, UAE and DR Congo – a consultant from either BCaD or Precise accompanied the teams. Italy was visited and researched solely by a J. E. Austin consultant. The team members, countries visited and dates of travel include:

- Goals of the LMDP End Market Research and Analysis Study Tours**
- Inform the development of the LMDP strategy
  - Market Ethiopia as a potential supplier of intermediate and finished goods
  - Identify potential investors
  - Lay the groundwork for investment conferences/trips to the countries visited

**Table 1: EMA Team Members**

Name	Country	Dates of travel	Organization
Afewerk Yohannes Germamo	Egypt	9-Feb-2013 – 14-Feb-2013	BCaD
Girma Abebe Yami	Egypt	9-Feb-2013 – 14-Feb-2013	LMD
Dr. Melaku Asefa Kiros	Egypt	9-Feb-2013 – 14-Feb-2013	APHRD
Taye Tibebu Yeshita	Kenya	24-Feb-2013 – 1-Mar-2013	LIDI
Haimanot Asmerew Hileselassie	Kenya	24-Feb-2013 – 1-Mar-2013	LMD
Henok Mechal Haile	Angola	20-Feb-2013 – 25-Feb-2013	EMDTI
Tesfaye Lemma Gesese	Angola	20-Feb-2013 – 25-Feb-2013	LMD
Antigegn Kebede Belay	Turkey	11-Feb-2013 – 19-Feb-2013	LIDI
Haimanot Asmerew Hileselassie	Turkey	11-Feb-2013 – 19-Feb-2013	LMD
Afewerk Yohannes Germamo	DR Congo	17-Feb-2013 – 22-Feb-2013	BCaD
Irma Abebe Yami	DR Congo	17-Feb-2013 – 22-Feb-2013	LMD
Melake Asefa Ejeta	DR Congo	17-Feb-2013 – 22-Feb-2013	AED
Dr. Elias Walelign Dagnachew	UAE	22-Feb-2013 – 28-Feb-2013	APHRD
Hailemelak Asessfa	UAE	25-Feb-2013 – 1-Mar-2013	Precise
Tebeje Nigussie Kibru	UAE	22-Feb-2013 – 28-Feb-2013	LMD
Kent Ford	Italy	28-Jan-2013 – 31-Jan-2013	JAA

<sup>2</sup> Saudi Arabia was also a targeted market, but the team was unable to obtain travel approval.



## INTRODUCTION

The Agricultural Growth Program - Livestock Market Development Program (AGP-LMD) is a development project funded by the United States Agency for International Development designed to improve the incomes and nutritional status of Ethiopian farmers and other stakeholders along the livestock value chain. It will upgrade and catalyze future sustainable development of the sector, by addressing systematic bottlenecks and facilitating value chain participants' own engagement and investment. Key goals include increasing productivity and competitiveness of selected livestock value chains, and spurring investment and innovation all in an environmentally and economically sustainable way. The project will also support the Government of Ethiopia as it strives to achieve targets established in the Growth and Transformation Program (GTP). Launched in 2010-2011, the GTP has established annual export goals of 111,000 metric tons of meat and 2,000,000 live animals by 2015, which represent significant increases over current export performance.

The international end market analyses (EMAs) were organized by AGP-LMD in collaboration with J.E. Austin Associates, BCaD Management Consulting PLC, Precise Consult International and the Government of Ethiopia. The domestic end market analysis was undertaken by BCaD and Precise. This end market analysis report is a complement to and was conducted in parallel with the Value Chain Analyses of the livestock value chain in targeted areas of Ethiopia.

The export component of the end market analysis explores market opportunities, Ethiopian competitiveness, and recommendations for Ethiopian export development in selected export markets for live animals and livestock products including meat, leather and leather products. All of these products are derived from cattle, goats and sheep endemic to Ethiopia. The domestic end market analysis information briefly describes the markets for these same products, plus dairy products. It also examines market characteristics of three cross-border land corridors.

The report discusses each of the main value chains – Live Animals, Meat, Leather and Leather Products and Dairy. Summaries of information on each country visited are presented in the Annexes.

**Table 2: Estimated Ethiopian Export Value of Value Chain Products to Countries Examined**

Value chain	End Markets Examined in Report	Estimated Export Value '000 USD
<b>Live Animals (Cattle, Goats, Sheep)</b>	· Ethiopia	190,357 <sup>a</sup>
	· Informal Cross-border Trade	210,000 <sup>b</sup>
<b>Meat</b>	· Egypt	14,450 <sup>c</sup>
	· UAE	5,377 <sup>c</sup>
	· Ethiopia	77,210 <sup>a</sup>
	· Egypt	1,780 <sup>c</sup>
	· UAE	43,782 <sup>c</sup>
<b>Dairy</b>	· Angola	3,774 <sup>c</sup>
	· Democratic Republic of Congo	0 <sup>c</sup>
<b>Leather and Leather products</b>	· Ethiopia	276 <sup>c</sup>
	· Ethiopia	122,713 <sup>a</sup>
	· Egypt	0 <sup>c</sup>
	· Kenya	3 <sup>c</sup>
	· Turkey	1,293 <sup>c</sup>
	· Italy	39,496 <sup>c</sup>

- a. Global Trade Statistics, 2011
- b. LMD research estimate, 2013
- c. UN Comtrade, 2011

## LIVE ANIMALS

### MARKETS FOR ETHIOPIA'S LIVE ANIMALS

#### Export

- **Regional trade dominates exports.** Ethiopia's top export markets for live animals in order of sales volume are: Sudan, Somali, Egypt, Djibouti and Saudi Arabia, Yemen and the United Arab Emirates. [See Annex1: Ethiopia Export and Import Data by Value Chain] Ethiopia trades high volumes of live sheep, goats and cattle. Ethiopia's live animal exports are estimated at 2,323,500.<sup>3</sup>
- **80-90% of exports of live animals are informal – predominantly across borders with Somalia/Kenya, Somaliland, Djibouti and Sudan.** Exporting through informal channels is simpler and more cost-effective than exporting formally and the exporter can avoid legal requirements for registration, licensing, foreign currency regulations and taxation. The overwhelming size and scope of illegal operators puts a competitive strain on those operating legally who find it difficult to compete on price. Recent changes have reduced the time required to acquire and renew registration and licenses both at the federal and regional levels through streamlined business processes. However, most traders continue to operate informally.

**Table 3: Informal Market Channels for Ethiopia's Live Animals<sup>4</sup>**

Export Destination	Passage Locations in Ethiopia	Types of Live Animals	Export Volumes (Formal and Informal)	Destination Markets of Animals
Somaliland	Eastern Ethiopia (Somali Region); animals are trekked through Hartishek and Lefeissa to the Somaliland border town of Togwajale	Majority are Somali Blackhead or fat-tailed sheep, followed by goats, cattle and young camels	Major legal export animals are oxen: 1,700 heads/day in peak periods (\$500/head) (2013 estimates)  Legal exports in 2012 were: 103, 725 oxen 8,713 camels 34,931 shoats	Majority to Saudi Arabia and other Middle Eastern markets (UAE, Bahrain, Kuwait, Oman and Qatar); Many also go to Djibouti for re-export to Dubai and Saudi Arabia

<sup>3</sup> Author's estimation based on Ministry of Agriculture and LMD data. Includes 472,000 formal exports (Ministry of Agriculture 2011 data ) plus 1,851,500 informal exports (author's research) from MLA VCA

<sup>4</sup> Economic Commission for Africa, 2010, Woldu, Akliku, 2009, and FAO, 2010

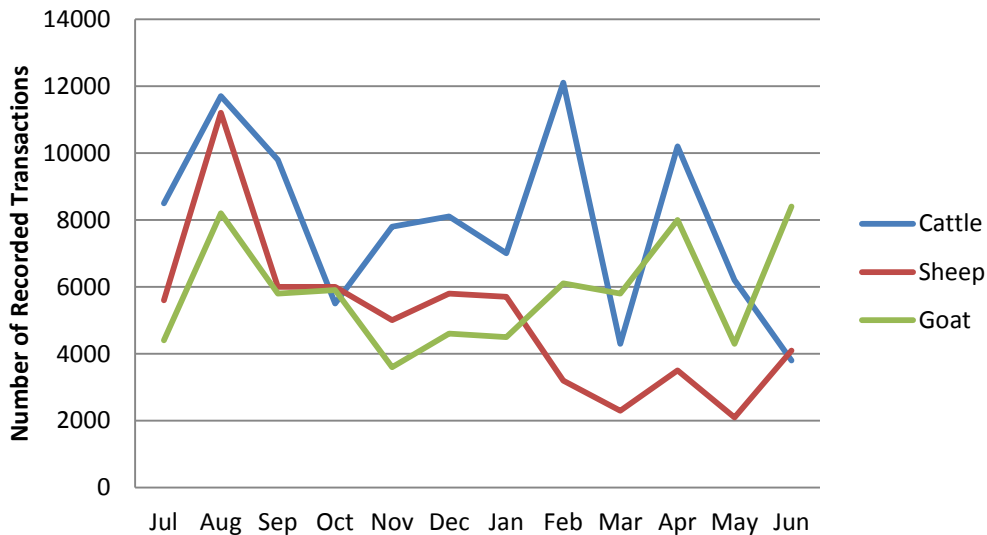
Export Destination	Passage Locations in Ethiopia	Types of Live Animals	Export Volumes (Formal and Informal)	Destination Markets of Animals
Somalia / Kenya	Southern Ethiopia from Borena Zone in Oromiya Region and	Cattle	50,000 to 60,000 heads of cattle per year (FAO, 2010)	Northern Kenya, Nairobi and other cities in Kenya
	from Afder and Liben zones of Somali Region			
Djibouti	Most animals are purchased by Arabs whose agents purchase inside of Ethiopia	Cattle, sheep and goats	97,000 total (Economic Commission for Africa, 2010) Last 6 months of 2012, customs caught illegal smuggling of: 400 shoats      155 cattle	Majority to United Arab Emirates and other Middle Eastern countries, either through Saudi Arabia or Yemen.
Sudan	Approximately 90% of informal export is done by producers themselves from the Amhara Region—through informal markets inside Sudan	Male cattle originating in Amhara Region	Legal estimate: 100,000 – 190,000 cattle annually (2013 estimate, Metema customs) Illegal estimate: 1000 cattle/day (calves, heifers, cows, and all ages of male animals – though mostly calves and heifer (2013 estimate, Metema customs) 2012, customs caught illegal smuggling of: 1200 cattle 77,000 cattle per year (Borlug, 2009)	Egypt, Kuwait, Libya, Qatar, Saudi Arabia, Syria, UAE, Yemen

- Re-exportation and re-branding of Ethiopian animals to Middle Eastern markets is the norm.** Ethiopian animals are exported to and through Somalia, Somaliland, Djibouti and Yemen. They are often ‘re-branded’ in those countries and then re-exported to Middle Eastern markets with the country of re-export listed as the country of origin.. This is partially due to the fact that Ethiopia does not have an organized quarantine system that is recognized in these terminal market of the Middle East which fuels concerns of disease transmission. There are frequent bans of live animals originating from Ethiopia due to diseases such as Rift Valley Fever (RVF), foot and mouth disease (FMD), contagious bovine pleuropneumonia (CBPP), contagious caprine pleuropneumonia (CCPP), peste des petits ruminants (PPR), brucellosis in ruminants, and lumpy skin disease (LSD). The UAE currently imposes a ban against the import of live animals that come directly from Ethiopia; however, animals that are re-exported and come with a ‘certificate of origin’ from one of the countries noted above and certified by the UAE as being disease-free, are allowed to enter the UAE even though the animals are originally from Ethiopia.

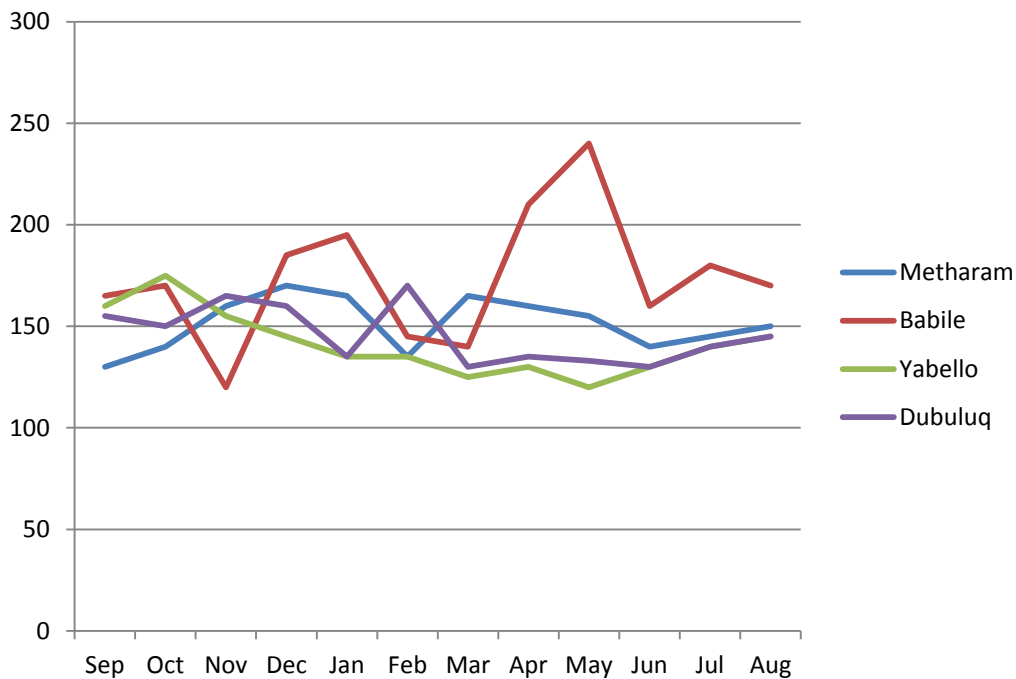
## Domestic

- Live animal sales in Ethiopia are seasonal.** Supply and demand are heavily influenced by the season of the year and the occurrence of religious and cultural festivals, as well as availability of feed which drives sales during the dry season. The chart below shows the livestock transactions from selected areas, including Metharam, Babile, Yabello, Dubuluq of Ethiopia, while the next two charts show the seasonal fluctuation in prices related to the supply and demand of the animals.

**Figure 1:** Livestock Transactions form Selected Areas for Cattle, Sheep, and Goat<sup>5</sup>



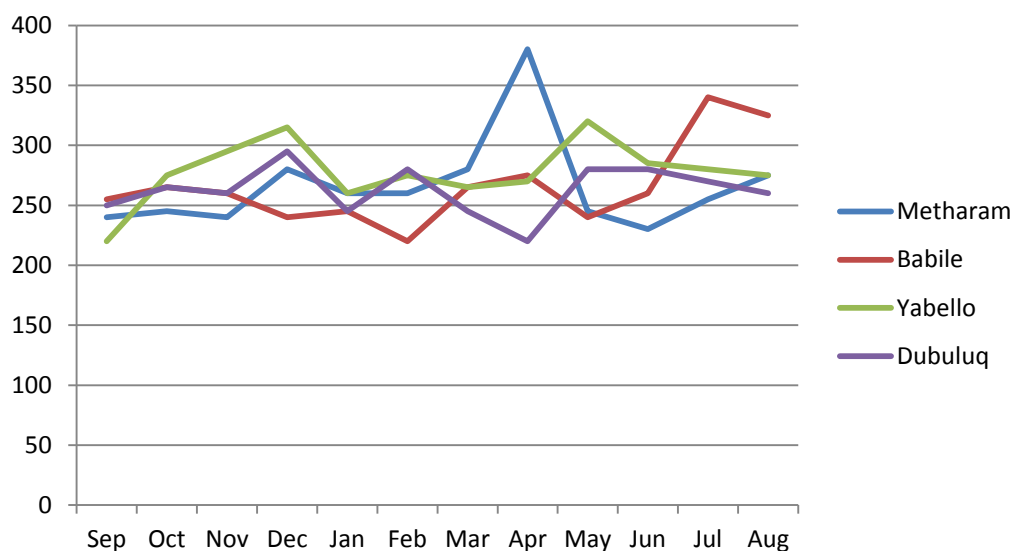
**Figure 2:** Seasonal Variation in Prices for Sheep in Metharam, Babile, Yabello and Dubuluq<sup>6</sup>



<sup>5</sup> Getachew, 2008

<sup>6</sup> IBID

**Figure 3:** Seasonal Variation in Prices for Goat in Metharam, Babile, Yabello, Dubuluq<sup>7</sup>



**Meat consumption in Ethiopia is low.** Annual per capita meat consumption in Ethiopia is less than 8.5 kg per person per year, which is the second lowest in all of Africa. This has serious impact along the entire livestock value chain from breeding to meat production to hides, skins and leather production.

**Domestic meat consumption is segmented by taste, point of purchase and cut.** There is a strong tradition of purchasing from butcher shops for snacks or fresh cuts, while many Ethiopians buy live animals directly from producers for religious holidays. Higher income consumers prefer lean meat purchased from supermarkets with proper packaging and labeling. Otherwise, domestic preferences are complimentary (opposite) of export preferences. That is, Ethiopians in general prefer meat from higher-fat female shoats and castrated male shoats (as opposed to non-castrated shoats with lower proportions of fat), and highland cattle (as opposed to lowland cattle) with the exception of young Boran bulls, which are prized by all.

**Live animal prices have been increasing over past 5 years.** The average price of live animals on the formal markets has been continuously escalating for the last five years (between 60 and 200 percent increase). The continuous increase in the prices paid for live animal is attributed to various factors including illegal trade across borders leading to a shortage of supply to domestic markets, increasing price of inputs to feedlots including rapid increases in the price of feed, and overall inflationary pressures. Even with the increased price of live animals, however, the volume of animals formally exported has increased from 10,372 in 2002/2003 to 472,041 in 2010/2011.

**Live animal prices vary seasonally.** In the North, supply peaks after the October– January rainy season then drops precipitously. The South experiences low sales volumes during the July–September rainy season and the fasting period (February–April), but trade peaks immediately following these periods. (Negussie, Socio-economics and Policy Research Working Paper 52, 2003)

**Table 4:** Average Price of Live Animals in Addis Ababa in ETB<sup>8</sup>

Animal	2009 Average Price	2012 Average Price	Percentage Increase
Goat	280	860	207%
Sheep	340	900	165%
Cattle	3400	5400	59%

<sup>7</sup> Getachew, 2008

<sup>8</sup> Ethiopian Livestock Information System

## MARKET REQUIREMENTS AND ETHIOPIA'S PERFORMANCE

The key success factors to increase market share are universal: meet market specifications and legal requirements, and consistently deliver high-quality products at competitive prices and in sufficient quantity. Ethiopia faces challenges in all of these factors, despite its competitive advantage of breeding the highly sought-after cattle from Borena and Bale regions.

***Consumers prefer animals of less than five years of age.*** Findings by the LMD team during the market research study tours showed that buyers in most countries wanted animals that were less than five years old. This is particularly true of cattle from the Borena and Bale areas. Almost all sheep and goat that are exported from Ethiopia are less than 5 years old and in fact most are 2 to 3 years old. However, Ethiopian cattle have earned a poor reputation in export markets for not meeting buyer specifications of being younger than five years old and of a certain fat/bone content leading the a general aversion to importing Ethiopian cattle.

***Quality issues remain a concern for all end markets.*** Factors driving these quality concerns include:

- Consumers in importing countries have clear preferences for the weight of cattle – weight preferences differ by importing country. For example Egypt prefers smaller cattle weighing around 240kg whereby UAE prefers larger cattle weighing 320kg.
- Consumers prefer the meat of younger cattle – Given that the livestock sector in Ethiopia is largely a smallholder operation, many cattle sold in the marketplace are old, draft oxen that are retired from farm labor. This makes their meat tough with high bone content – generally less desirable to consumers.
- Importing countries have strict quarantine requirements– All export countries require quarantine of live animals before being formally imported into the country of destination. Quarantine requirements for Ethiopian animals vary, ranging from seven days in Yemen to 30 days in Saudi Arabia and Egypt. Ethiopia has yet to establish a formal quarantine facility. Therefore animals that ready for export must be kept for 21 days at the feedlot or exporter's hold facility while the animals are vaccinated and examined. Since this is not a formal quarantine facility, importing countries such as the UAE only accept formal, certified quarantine facilities. Therefore, all animals from Ethiopia must go through the quarantine facility for a 30 day stay in Djibouti, where they are re-certified as Djibouti origin and then shipped to UAE. Animals destined for UAE are then re-quarantined for an additional 15 days before being released for processing. During the field research conducted in UAE, the LMD team learned that there were two primary reasons why there is currently a ban on the importation of Ethiopian live animals into the UAE. One is that Ethiopia does not have internationally certified quarantine facilities, and the second reason is that the veterinary laboratories are not internationally recognized and accredited.

***Buyers in export markets require consistent quantity and delivery of live animals.*** Supply and demand of live animals is highly seasonal. Animals are required in large numbers for religious holidays with peak demand between October and December which corresponds to the end of Ramadan and preparations for the Hajj. Supply peaks after the rainy season ends – slightly different from north and south of Ethiopia and drops dramatically shortly after. Buyers, both domestically and in export markets, complain about the lack of reliability in the quantity of animals available for purchase.

***Ethiopian live animals are often costly in comparison to animals from alternative sources.*** Prices demanded for Ethiopian live animals have escalated recently, resulting in pauses in import relationships and loss of market share in countries such as Egypt. Pan Afric Trade, a large importer in Egypt with trade ties to Ethiopia since 2009 has the ability to import up to 30,000 cattle per year. They recently ceased importing Ethiopian cattle due to a 20% price escalation (from \$1500 per ton to \$1800 per ton). [See Annex 3]

**Importers require responsive business relationships.** Importers from various countries reported that their Ethiopian counterparts were often unresponsive to business communications, particularly when addressing complaints and unreliable in meeting contractual obligations.

#### ETHIOPIA'S ADVANTAGES AND OPPORTUNITIES IN THE MARKETPLACE

**Ethiopian cattle are highly sought after in the market.** The breed and origin of the cattle drives consumer preferences both domestically and in export regions. Export markets demonstrate a clear preference for Boran bulls (followed by cattle from Bale area), whereas domestic consumers largely prefer highland cattle. Branding of Borena is already occurring, but Ethiopian origination is largely lost during the re-exportation process.

There are opportunities for increasing exports to Egypt (cattle), UAE (sheep and goats) and Yemen (cattle). There could also be improvements in the procedures between Ethiopia and Djibouti which could capture greater value and/or reduce costs.

#### COMPETING COUNTRIES AND THEIR ADVANTAGES

Ethiopia is an important and major competitor in the live animal markets. Through both formal and informal trade channels, Ethiopia is a major supplier of live animals to Somalia, Djibouti, Kenya, and Sudan as well as to Saudi Arabia. As the largest livestock exporter in Africa with a value of formal exports close to USD 200 million, Ethiopia competes with Namibia, which exported USD 149 million in 2011, as well as Sudan and Somalia. Because of the inconsistencies in the livestock support infrastructure and the non-commercialization of much of the Ethiopian livestock industry, the country cannot effectively compete in some important Middle Eastern markets like United Arab Emirates, Saudi Arabia or Qatar. Although some Ethiopian live animals do make it to these countries, usually via Djibouti or Somaliland, these countries are primarily supplied by major exporters (and Ethiopian competitors) such as Pakistan, India, Australia and others.

Another factor impinging on the competitiveness of the Ethiopian live animals is that in some of the markets, like the UAE, Ethiopia is not price competitive. This is partially due to the fact that the UAE currently bans direct import of Ethiopian animals, forcing the exporters to bring them through a third country for additional quarantine and vaccination, before finally reaching the Dubai market. Below is a table with the current prices of selected animals being sold in the Dubai market in early 2013.

**Table 5:** Competing Countries for Meat and Live Animals

Competitor countries	Type of cattle	Price (USD)
<b>Pakistan</b>	Bigger cattle	750
<b>Somalia</b>	Small	500
	Medium	580
	Bigger	750
<b>Ethiopia</b>	Bigger	850



## **Egypt - Cattle**

### **Market opportunity and trends**

Egyptians like the taste of Ethiopian beef, and demand for Ethiopian beef is large and rapidly growing in Egypt. Ethiopia already exports live animals to Egypt and there is substantial interest from Egyptian importers to increase imports. Ethiopian live animal exports to Egypt averaged USD 11 million 2010 and 2012, accounting for an average of 10% of Egypt's total live animal imports. Existing importers are already working closely with several exporters, but pointed out that consistency of price, quantity and quality should be emphasized. Sudan is the major competitor to Ethiopia in the Egyptian live animal market.

### **Market requirements**

The Egyptian market is mainly demanding young animals ideally below age two and weighting between 220-230 kg. Animals below 5 years old are also acceptable but only if the availability of younger animals is limited.

Before the animals are exported, they are required to be kept in quarantine for 21 days and the Egyptian Council of Scientists send a team of veterinarians to inspect the health of animals before approving import. The animals are quarantined again after entry into Egypt and slaughtered at the port of unloading so as to avoid any possible transmission of disease.

## **United Arab Emirates – Sheep, Goats, Cattle**

### **Market opportunity and trends**

The UAE is a large importer of live sheep and goats. It imported 208,219 live sheep in 2007, but only 3,795 cattle. Live cattle from Ethiopia, mainly Borena and Bale origin, are well known in UAE and could be a growth opportunity. Currently, UAE ban imports of live animals from Ethiopia even though animals imported from Djibouti and Somalia have Ethiopian origin – a fact that is well-known by live animal importers. Due to the ban, official exports from Ethiopia to UAE do not exist. Competition is steep in the UAE live animal market. Ethiopia's major competitors are Somalia (sheep, cattle), India (sheep and goats), Iran, Kenya, and Australia (sheep).

### **Market requirements**

The UAE market is mainly demanding Somali Blackhead sheep (25-35kg) and Boran cattle (220-350kg).

The quarantine regulation requires 15 days of quarantine before entry into UAE. Live sheep and goats are tested for Rift Valley Fever and Brucellosis by conducting randomized sampling. If disease is detected an additional 15 days of quarantine is required to look for clinical signs of suspected diseases. The major causes of animal rejection in Dubai are cysticercus bovis in cattle and hydatidosis in small ruminants. At the quarantine in the port of Hamriya, cattle are vaccinated against FMD type A, O, C, SAT 1 and rinderpest, while shoats are directly taken to the market. Following the 2007 RVF outbreak in Kenya, the UAE imposed an import ban on Ethiopia for approximately six months. (Farmer, 2010)

Additional market analysis and logistics channel details are presented in Annex 8 of this report.

## **Yemen – Goats, Sheep and Cattle**

### **Market opportunity and trends**

Yemen serves as a major hub for the import of live animals into the Gulf. The country imports a large numbers of sheep, goats and cattle for re-export to other Middle Eastern countries. In 2011, Ethiopia exported a total of USD 6.3 million in live animals to Yemen but this was a decrease from USD 10.8 million in 2007. Given Yemen's relaxed SPS requirements, Ethiopia could conceivably increase exports to Yemen for re-export given its geographic proximity.

### Market requirements

Yemen has less stringent SPS requirements and recognizes Ethiopia's quarantine systems thereby Ethiopian livestock are not required to be re-quarantined in Djibouti.

## MARKET OPPORTUNITIES

The export of live animals from Ethiopia puts the country into a conundrum. By lowering the number of live animals exported, the country will see a reduction in revenue from live animal exports, but the animals that remain in the country will be processed into value added products such as meat, leather and leather products. An increase in the number of live animals exported, on the other hand, will see growth in the amount of revenue (GDP) to the country, but the meat and hides, skins and leather industries will continue to suffer shortages of raw material. Addressing the export market for live animals is a balancing act that the Government of Ethiopia and the value chain actors will need to address in order to reach a balance that suits the entire value chain.

In order to succeed in seizing growth opportunities available for live animals, the end market analysis suggests several areas for improvement of the Ethiopian livestock sector.

- ***Commercialize livestock sales and focus on selling younger animals*** – Most end markets complained that Ethiopian animals were too old, low in weight and had been used for animal traction prior to sale in the live animal market. The traditional pattern of animal ownership needs to change to introduce commercial breeding specifically for meat consumption rather than for multiple purposes. This requires animals to be specially fed from early in their life to gain their maximum growth potential in a short period. Specialization could go so far as introducing organic certification or organizing according to specific end-markets. This will better enable exporters to meet market specifications and improve reliable quality and quantity.
- ***Improve quarantine system*** - Quarantine standards need to be improved to meet buyer specifications – such as those that would merit accreditation by UAE. Building a new quarantine in partnership with private (possibly foreign) investors near the Djibouti border could be a first step is establishing a modern, efficient quarantine system within Ethiopia.
- ***Improve animal health, breeding and feeding services*** – There is a high dependency on the public sector for animal health services and a shortage of feed in Ethiopia. Encouraging private actors to provide such services will improve the availability and quality of such services, particularly at live animal market places.
- ***Improve branding efforts*** – There are clear preferences in both the domestic market and export market for different types of animals originating from Ethiopia. Products that remain unbranded cannot be distinguished from those of their competitors, whereas branding a product adds value and allows the seller to charge higher prices than what they could otherwise charge. Branding is perception developing a strong brand identity is perceived by the market that the product is safe and of high quality. By developing a strong brand, Ethiopia would join other developing economies in creating brands around important products on the country. Value chain actors and government could develop a branding strategy that helps identify Ethiopia as being a premier supplier of livestock products, coupled with strategies that ensures that these products are safe and reliable.

# MEAT

## MARKET FOR ETHIOPIA'S MEAT PRODUCTS

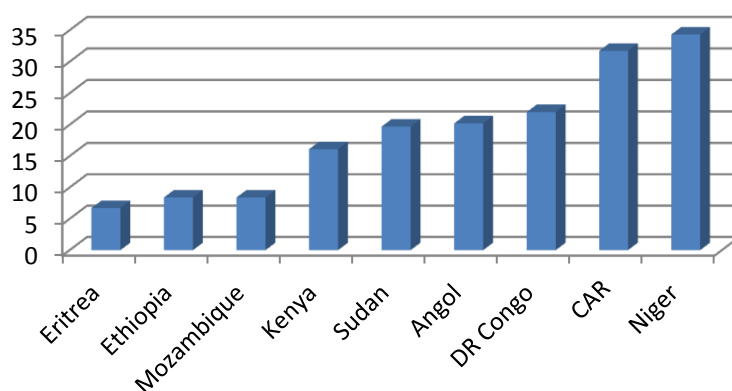
### Export

- **Middle East dominates export markets.** The top export markets of meat in order of sales volume is: the United Arab Emirates, Saudi Arabia, Angola, Egypt, Bahrain, Turkey, Kuwait. [See Annex 1, Table 10]
- **High degree of regulation and formality of meat exports.** One hundred percent of Ethiopia's meat exports are sold through formal channels due to a high degree of regulation of all importing countries.
- **Opportunities for market growth in Egypt, Angola and UAE.** Refer to section 2.3 and relevant country annexes for details.

### Domestic

- **Annual per capita meat consumption in Ethiopia is low.** Even with this abundance of livestock and meat, Ethiopia still has one of the lowest per capita consumptions of red meat in Africa. There are several reasons for this low consumption, including low per capita incomes, high domestic meat prices and the fasting days by the Orthodox Christians (43% of the population), which means that a large part of the population does not consume meat products for about 200 days per year. This reduces aggregate demand by 20-35%<sup>9</sup>. Only neighboring Eritrea has a lower per capita consumption of meat than does Ethiopia. However, with Ethiopia's goal of becoming a middle income country by 2025, and with projected population growth of 25% between 2012 and 2025, reaching 120 million people<sup>10</sup>, demand for meat and meat products in Ethiopia should increase in concert.

**Table 6:** Annual per Capita Meat Consumption (KG)<sup>11</sup>



- **Imports of meat and meat products have been rising , in large part following the establishment of** luxury hotels in the capital that cater to the specific taste requirements and quality demands of foreign nationals visiting and residing in the country. These consumers prefer low-fat, packaged and labeled meat from supermarkets. According to UN Comtrade, the import of meat into Ethiopia in 2011 was around USD 1.2 million, but this is up from nearly zero imports a decade earlier.

<sup>9</sup> Mariam, Amare, et. al., 2010

<sup>10</sup> Population is projected to grow by 80% from 2012 to 2050. Source: United Nations, Department of Economic and Social Affairs, 2009

<sup>11</sup> FAOStat

- **Mirroring the increasing prices of live animals, meat prices have also been increasing.** According to CSA surveys, retail prices of beef in Addis Ababa have risen 50% in the last four years.<sup>12</sup> Farm gate prices for shoats have risen more than 75% in the same time period.<sup>13</sup>

**Table 7: Price of Beef and Mutton (USD)<sup>14</sup>**

Fresh Beef				Mutton		
Superior	High	Moderate	Fair	Fresh at Slaughter house	Frozen in Elfora's Supermarkets	Fresh in Supermarkets
9.80	8.20	6.50	4.40	3.85	2.20	4.90

#### MARKET REQUIREMENTS AND ETHIOPIA'S PERFORMANCE

- **Achieving consistent quality control** – Providing proper and consistent quality of meat products is by far the most important factor in Ethiopia's competitiveness in the market-place, both domestically and in export markets.
  - *Ethiopian meat does not meet quality standards demanded of the market.* Issues of meat texture (toughness), improper handling at the pre- and post-slaughter stages, and poor cold chain management have severely damaged the reputation of Ethiopian meat products, particularly in export markets such as Egypt, UAE and Angola.
  - *Ethiopian Halal certification is not trusted in Middle Eastern markets.* All export markets in the Middle East and North Africa require animals to be certified 'halal', which requires adherence to certain procedures and certification from an Islamic organization. UAE retailers informed the LMD research teams that Emirati consumers do not trust Ethiopia's halal certification and retailers often re-package the meat as Somalian or Indian.
- **Ethiopian meat is often costly in comparison to meat from alternative sources** – Prices demanded by Ethiopian exporters have increased over the past five years, challenging the competitiveness of Ethiopian meat. Price increases of meat have been partially driven by the price of animals, but also influenced by inefficient operations and high air transportation costs from Ethiopia.
- **Buyers/Consumers in target end markets have concerns about the quality of meat from Ethiopia** Factors driving quality issues include:
  - *Lax sanitary conditions at slaughtering facilities* – Workers reportedly use their bare hands to transfer carcasses after skins have been removed and water temperatures are not sufficiently hot to kill bacteria and effectively clean the carcasses. These practices result in surface bacterial contamination on carcasses as well as lingering hair, skin, dirt and fecal matter.
  - *Poor cold chain management* – Chill facilities at abattoirs are inadequate – there is no blast freezer procedure/equipment; temperatures at Bole Airport at Addis Ababa are not cool enough (they are tailored to temperatures for cut flowers); and once carcasses are loaded into containers, they often sit on the tarmac awaiting loading into airplanes with no refrigeration. Only once in air does the cargo area finally achieve adequate cooling temperatures.

<sup>12</sup> CSA : Retail Prices of Goods and Services, Annual Average Prices, 2006 – 2010.

<sup>13</sup> FAOStat.

<sup>14</sup> DEMA, February 2013

- *Poor meat packaging* – Middle Eastern as well as Angolan importers complained of careless and poor quality of meat packaging materials.
- *Consumers prefer meat from animals less than five years of age*
  - *Tough meat (beef) with high bone content* – A reflection of the animals' old age is reflected in the stiffness of the meat which requires longer cooking time which is generally unattractive. This is a problem only with cattle and not smaller ruminants.
- *Buyers require reliable supply of meat.* Ethiopian exporters have been unable to supply demanded quantity as well as opportunistic selling. Seasonality of supply is also a factor here.
- *Importers require responsive business relationships* – Several importers complained about difficulties in conducting business with Ethiopian counterparts. They complained of spotty relationships driven by marginal price differences and unresponsiveness to business communications, particularly when addressing complaints<sup>15</sup>.
- *Meat sold in domestic markets is not specially packaged or labeled.* Most meat and meat products retailed in the domestic meat market in Ethiopia are fresh cuts and no packaging is used apart from newspapers and plastic bags. This prevents meat producers from effectively branding their products and increases the likelihood of disease transmission in handling. There are supermarkets in the capital, however, that make use of foils and other packaging materials to pack meat, especially meat that is chilled or frozen. There is no strict legal compliance related to the meat packaging procedures in butchereries and supermarkets. Labeling activities are almost non-existent in the domestic meat market, although some abattoirs are now branding their production.

#### ETHIOPIA'S ADVANTAGES AND OPPORTUNITIES IN THE MARKETPLACE

- *Ethiopian meat has a good taste profile.* LMD market research teams learned that Ethiopian meat has a good taste profile in a number of countries, including Egypt, Angola and some countries in the Middle East. Identifying which countries specifically enjoy the taste of Ethiopian meat and branding the meat for those market would expand possibilities for meat suppliers.
- *Ethiopia can provide meat that satisfies local preferences* Ethiopia is well-positioned to supply the type of meat that is demanded by local, regional and Middle Eastern consumers. Their Borena and Bale beef and sheep and goats are desirable and often sell at relatively higher price points at retail markets.
- *Government support for meat exports.* The Government of Ethiopia supports growing meat exports by providing incentives to the agro-processing sector. The Government of Ethiopia's investment policy provides attractive incentives which include duty free imports of capital goods, a tax holiday up to five years, and depending on investment location - exemption from export duties and taxes. Additionally, investors of export industries are entitled to keep 10 percent of foreign currency generated in private accounts.

#### COMPETING COUNTRIES AND THEIR ADVANTAGES

Ethiopian meat is competitive in some regional markets including the UAE market which is the industry's largest export market. According to the tables below, Ethiopia effectively competes on price with other major importing countries and does so more at the retail level than the wholesale

<sup>15</sup> Farmer, 2010.

Level. When the LMD market research team inquired of wholesalers and retailers as to why Ethiopian meat cannot command a higher retail price in the Dubai market, they were told that the local consumers do not fully trust the Halal certifications coming out of Ethiopia as much as they trust such certifications from Somalia and Pakistan.

**Table 8:** Wholesale and Retail Prices for Competitor Countries<sup>16</sup>

Competitor countries	Whole Selling Price	Retailers Selling Price
Pakistan	18-19AED/Kg	30 AED/KG
Indian	18-19 AED/k	30AED/KG
Kenya	18-22 AED/kg	28-30AED/KG
Tanzania	18-22 AED/kg	35AED/KG
Ethiopia	22-23 AED/kg	28-30AED/KG

## MARKET SUMMARIES

### Domestic High-End Market for Meat

#### Market opportunity and trends

Ethiopia currently imports a little over 19 MT<sup>17</sup> of meat per year – largely sold in high-end outlets such as luxury hotels and supermarkets. There is a limited opportunity to displace these imports as well as grow existing sales that target high-income households. Supermarkets mainly sell raw as well as process beef (sausages) and by-products directly to consumers. They purchase carcasses from local and export abattoirs and undertake further processing and packing activities on their premises. There are 120 supermarkets that retail beef and beef by-products in Addis Ababa alone. There is also a market for mutton, primarily tied to holidays such as New Year, Christmas, Easter, Ramadan and Arefa. For mutton the domestic market prefers highland sheep between the ages of 2 to 3 years old.

#### Market requirements

High-end consumers prefer low-fat Borena and Hararege beef. Some packaging with foils and other materials is currently practiced and consumers purchase both fresh / chilled and frozen meats. Many local consumers also require ‘*halal*’ product due to religious considerations.

### Egypt - Beef

#### Market opportunity and trends

Egypt imported over \$1 billion worth of meat in 2011, a significant increase from levels the \$500 million that was imported in 2008 and 2009. Brazil, USA and India supplied the majority of this meat with Ethiopia contributing less than 1% of Egypt’s import requirements. Meat from Ethiopian and Sudanese cattle are sold at the same price as with local Egyptian buffalo meat - at approximately LE 40.00 per kg (USD 5.85) which is the highest price offered for meat in the retail markets visited by the LMP market research teams. Egyptian importers and consumers are increasingly price-sensitive and have recently stopped imports from Ethiopia due to the recent hike in prices.

#### Market requirements

The Egyptian market prefers deboned fresh and tender chilled meat with two weeks shelf life without changing color. Borena cattle and camel are consumed frequently and sheep and goat are demanded seasonally during Muslim holidays. Meat must be labeled from where it originates so that consumers

<sup>16</sup> Interviews with wholesale and retail agents in Dubai, February 2013

<sup>17</sup> UN ComTrade.

can choose the meat that best meets their taste requirements. Importers emphasize the need for consistent price, quantity and quality.

Packaging requirements for Egypt are fairly standard whereby meat needs to be wrapped with food grade plastic.

Additional market dynamics and logistics channel details are presented in Annex 3 of this report.

### **United Arab Emirates – Mutton, Goat Meat, Beef**

#### **Market opportunity and trends**

UAE's appetite for meat has increased 30% between 2008 and 2011. The country imported over \$1 billion worth of meat in 2011, of which Brazil, Australia, USA and India supplied more than 80%<sup>18</sup>. Ethiopia was the 6<sup>th</sup> largest exporter of meat to the UAE with 4% market share (which is double the market share of 2% achieved in 2009). Quality is a major concern for the UAE market...one in which Ethiopian meat has a damaged reputation. As such, Ethiopian meat is usually re-packaged as Indian, Pakistani or Somali due to low acceptance by consumers of Ethiopian meat. Middle and lower income classes continue to buy Ethiopian meat, however.

#### **Market requirements**

Goat meat should come from young animals with low fat content and packaged in 6-8 kg packages - preferably from low land animals (pinker meat vs. red), especially from the Borena, Bale, Methara and Somali areas.

Export abattoirs need to be approved by the Dubai Municipality. Approval depends on a number of hygienic and health factors as well as whether the abattoir uses the halal slaughtering procedure and is certified by the regional Islamic council.

Additional market dynamics and logistics channel details are presented in Annex 8 of this report.

### **Angola – Frozen Borena Beef**

#### **Market opportunity and trends**

Angolans eat meat at least once a day, most of which is imported (\$750 million of imports in 2011). Imports of meat have increased 65% between 2009 and 2011, most of it coming from Brazil, USA, India and Portugal. There is sufficient demand and interest from importers to increase imports of Ethiopia frozen beef; however, quality concerns must be addressed to ensure re-entry to the market and long-term growth. Prices must also come down relative to quality.

#### **Market requirements**

Meat that is tender and hygienic; packaging materials to protect contents. Angola meat import criteria are more relaxed than Middle Eastern markets.

Additional market dynamics and logistics channel details are presented in Annex 2 of this report.

## **MARKET OPPORTUNITIES**

Ethiopia has excellent potential to increase its consumption and export of meat and meat products. Increasing Borena beef exports, expanding commercialization of production and marketing of livestock, diversifying into other products such as the processing of sausages and other similar types of meat and boosting domestic consumption are important strategic growth opportunities for Ethiopian meat producers. Poor product quality is the most pronounced concern to be addressed, followed by improving price competitiveness and strengthening business relationships. Most of the recommended actions to improve the marketing of live animals will also contribute to increasing the

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<sup>18</sup> Sullivan, 2009

quality of Ethiopian meat, such as improving traceability systems, moving toward specialization of cattle-raising and improving feed, breeding and vaccination practices and improving the transparency of livestock trading systems. In addition, the following specific actions are recommended for the meat industry.

- ***Address quality concerns*** – Above all, end markets complained about the poor quality of Ethiopian meat. In addition to improving the production and trade practices within Ethiopia which will require uprooting well-established systems and traditions, the following steps are necessary to improve quality:
  - *Improve conditions and slaughtering procedures at abattoirs* – Procedures should be improved to minimize animal stress and foster sanitary practices that adhere to halal certification thereby minimizing the spread of bacteria or other undesirable foreign objects on the carcass. Quality control systems should be introduced at every step of animal / carcass handling.
  - *Improve skill levels of technicians responsible for deboning, cutting and packaging* – Technician training, investment in technology upgrades and use of better packaging materials (tailored to end markets) are necessary.
  - *Improve cold chain and logistics management* – A number of investments are necessary to improve the cold chain, including investment in refrigerated “reefer” trucks, chill facilities at abattoirs, chill facilities and transport procedures at Bole Airport in Addis Ababa.
- ***Strengthen business relationships*** – Importers have negative opinions of Ethiopian business ethics (viewing Ethiopians as opportunistic sellers and unresponsive to market demands). Instilling a greater degree of market-focused professionalism in Ethiopian exporters and fostering relationships with end market importers will be needed to build trust (and sales volumes) over time.
- ***Improve branding efforts*** – With improved quality achieved through the steps outlined above, Ethiopia has to repair its damaged reputation and improve consumer awareness of its meat products. Competitors of Ethiopian meat such as India, Pakistan, and Brazil undertake aggressive promotional campaigns (and oftentimes provide export incentives). In order for Ethiopian meat to be recognized as its own product (and not of someone else’s) that can be retailed on its own merits of quality at competitive prices, more aggressive marketing and (national) branding is necessary.



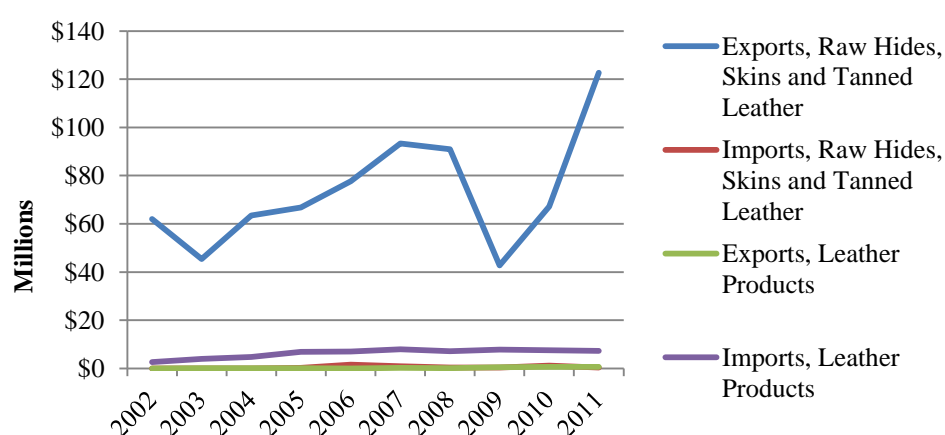
## LEATHER AND LEATHER PRODUCTS

### MARKETS FOR ETHIOPIA'S LEATHER AND LEATHER PRODUCTS

#### Export

- **Exports of Ethiopian finished leather are strong and growing.** Currently export of leather is increasing both in terms of volume, from USD 93 million in 2007 to USD 122 million in 2011.<sup>19</sup> One reason is due to the increasing demand from the international markets for leather – and in the case of Ethiopia – leather from the skin of sheep. Another is that the Ethiopian tanneries have been investing in better technology and delivering higher quality products with much of this investment coming since the Government began applying an export tax in 2008 on semi-finished leather.

**Figure 4:** Ethiopian Imports and Exports of HSL<sup>20</sup>



- **Informal activities in Ethiopian HSL industry are significant.** Illegal traders smuggle out raw skin and hide to neighboring countries to get higher price especially to Somaliland where there are Chinese tanneries just over the border. The LMD research team learned that there is also a widespread belief in Kenya that shoes exported from Ethiopia are entering Kenya illegally through the common border town of Moyale. The reportedly long import and export procedures between Ethiopia and Kenya may contribute to this problem.
- **Knowledge of Ethiopian leather products is minimal at end market destinations.** Although producers of finished leather products in countries such as Italy and China know about the quality of Ethiopian sheep leather, consumers do not.

#### Domestic

- **Growing domestic market for value-addition of leather.** There are also strong growth trends for finished leather in the domestic market from leather product manufacturers (largely for export). This is partially driven by a recent government policy of levying an export tax of 150% on semi-finished leather with the aim of increasing the producing and export of finished leather. Prior to this policy being enacted, Ethiopian tanneries exported semi-processed leather, particularly wet blue, pickle and crust, in large quantities. Such exports created a shortage of finished leather available to the local market, thereby discouraging value-addition.

<sup>19</sup> UN ComTrade

<sup>20</sup> IBID

- **Domestic demand for finished leather products (shoes, bags, jackets) is low but growing.** Leather products are considered luxury items and are not consumed by the average Ethiopian citizen. However, the Ethiopian footwear market is increasing in size – an opportunity which the Ethiopian shoe industry seems not to be fully grasping. Large volumes of low cost (and low quality) new footwear from China and Turkey are being imported into Ethiopia, and second hand sports footwear is also being imported in illegal cross-border trade across the Ethiopia-Kenya border, competing with locally manufactured footwear.

**MARKET REQUIREMENTS AND ETHIOPIA’S PERFORMANCE**

- **Ethiopian prices have increased in price-sensitive markets** Prices of leather have increased over the last several years yet producers and consumers in target markets are price sensitive. Ethiopian exporters are not keeping up with the changes in price requirements, causing a loss of market share to competitors from China, Pakistan and India, for instance. Insufficient supplies of raw material, low economies of scale and inefficiencies in the supply chain for hides and skins are driving factors in pushing up costs.
- **Ethiopian exporters are not always able to deliver as promised:** Leather products are subject to the whims of the fashion industry – a highly seasonal and ever-changing industry. Some importers complained that Ethiopian producers are not always well organized and cannot deliver orders as contracted out. Importers of finished leather and leather products from Ethiopia (particularly in Italy) complained about the lengthy process and time required for both imports of raw materials into Ethiopia and exports out of Ethiopia. The following example from Krinas (an Italian supplier of raw materials to Ethiopian leather manufacturers) illustrates the typical problems incurred for imported items:

*It takes around one month to get a license to import raw materials (accessories, chemicals and other inputs to the leather and leather products industry), due to the need for the government to allocate foreign exchange for the import of goods from abroad. Krinas orders and ships goods to Ethiopia (raw material needed to produce shoes) within about one and half months from the order being made by Ethiopia. Krinas usually waits until the import license is issued by the Ethiopian government before preparing the order. So therefore, if the Ethiopian company orders raw materials from Krinas on January 1, Krinas will order the goods and consolidate the shipment between February 1- March 15 (with the period of January 1 to the 31st being the time it takes to get the import license). The goods would then be shipped to Djibouti and arrive around 10 April. The goods would finally arrive in Addis Ababa by the end of April. Krinas has experienced delivery times of as long as five months, from the moment of applying for the import license to when the goods arrive in Ethiopian factory.*

**Figure 5:** Steps and Duration of Shipping Materials from Italy to Ethiopia

Stage	Weeks	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Krinas of Italy applies for import license																
Government of Ethiopia allocates foreign exchange and issues license																
Krinas prepares goods for shipment to Ethiopia																
Goods in Transit from Italy to Djibouti																
Goods transported to from Djibouti to factory in Addis Ababa																

- **Sizes of Ethiopian skins are smaller than those sought in export markets.** The average size of an Ethiopian hide is 22 -24 square feet while the average European hide is about 50 square feet; more than double the size of Ethiopian hides. A larger hide offers a ‘better cut value’ and hence more flexibility to produce a wide range of products including upholstery leather for the automotive and household furniture producing industries.

## ETHIOPIA'S ADVANTAGES AND OPPORTUNITIES IN THE MARKETPLACE

- ***Ethiopian sheep leather is of high quality*** Ethiopia has one of the highest quality sheep leathers in the international market with the main competitors being Pakistan, India and Nigeria, all of whom produce and market leather of similar quality.
- ***The quality of Ethiopian shoe production is good.*** Ethiopia produces good quality stitching for shoe uppers and much of the leather and suede produced in the country effectively competes with countries such as Bangladesh, particularly in European market for the classic men's black shoe. Manufacturing techniques, however, require improvement before the country can compete in middle and high-end markets, particular the fashion market.
- ***Ethiopia's huge population of livestock provide a potentially large source of raw materials.*** With one of the largest livestock populations in the world, Ethiopia should essentially not have any problem accessing sufficient raw material to feed into a thriving leather industry – but it does. Most tanneries are operating at less than 50% of utilized capacity and some tanneries have even resorted to importing semi-processed hides and skins to meet their market demands.

## COMPETING COUNTRIES AND THEIR ADVANTAGES

Ethiopia is competitive in the domestic market as well as in some regional and international markets. Both Italy and Turkey, the two leading producers of leather products in Europe, could be seen as competitors to Ethiopia. In reality, however, their leather goods industries demand so much leather that they are also potentially large customers for Ethiopian tanneries and leather goods manufacturers. For instance Italy imports more than USD 6 billion a year in leather-related goods while Turkey imports over USD 2 billion per year. Much of these imports come from Asia, but both Turkish and Italian investors have made investments in Ethiopia and others are exploring investment opportunities.

The size of domestic Ethiopian footwear market is increasing in size but the Ethiopian shoe industry seems to be unable to make full use of this opportunity. Large volumes of low cost, imported new footwear from China and Turkey, and second hand sports shoes are imported in illegal cross border trade via Ethiopia-Kenyan border and sold in the domestic market. These imported items compete with locally manufactured footwear. However, local consumers are becoming aware that such low cost imports are often of very low quality especially shoes imported from China.

## INDIVIDUAL MARKET SUMMARIES

### **Kenya – Finished Leather and Manufactured Leather Products**

#### **Market opportunity and trends**

The Kenyan leather industry offers a good opportunity for Ethiopian tanneries to export finished leather for use in Kenyan footwear and leather goods factories. The Ethiopian tanneries can compete with others in the Kenyan market on price and quality. The challenge for Ethiopian tanneries is to access enough quality hides and skins to produce enough leather for this export market.

Ethiopian shoe exports target the lower income group and have historically been successful in Kenya and could grow. There is need to maintain the quality of the product and remain price competitive to compete in this market segment. It would also be possible to expand to other segments of the market such as a) supplying shoes to middle income consumers, b) market safety and work boots, c) shoes that go with school uniforms, and d) leather garments and specialty goods including wallets, belts, document cases, and ladies purses. The demand for these products is mainly being satisfied through imports. Furthermore, as part of the East African Community (EAC), Kenya could serve as a gateway to other East African markets such as Uganda and Tanzania.

### Market requirements

Maintaining product quality, remaining price competitive and customizing design to meet market demand are key requirements to compete in the Kenya market. Ethiopian leather manufacturers have not conducted any market research or designed market strategies to maintain and increase their market share in Kenya. Small shoe manufacturers do not have sufficient first-hand information about the final consumers they are serving. Consequently, the shoes that are being sold in Kenya are not based on the tastes and preferences of the Kenyan consumers and may not be effectively targeting the most lucrative market segments .

Additional market dynamics and logistics channel details are captured in Annex 6 of this report.

## **Turkey – Finished Leather and Manufactured Leather Products**

### Market opportunity and trends

The Turkish leather industry is a net exporter of finished goods and a net importer of raw materials. The demand for finished leather by the leather products industry is met by local production and imports. As the leather goods industry continues to expand, its demand for leather is increasing and the industry is looking for alternative sources of finished leather from its traditional suppliers like Italy, China, India and Pakistan. This is the window of opportunity for Ethiopian tanneries to penetrate this large finished leather market.

Ethiopian products that have market potential in Turkey include:

- Finished lining for shoes from cow, sheep and goat;
- Goat suede uppers for the Turkish footwear industry.
- Classic shoes for lower income segments of the Turkish population; and
- Fashion and working gloves.

### Market requirements

*High-quality finished leather from tanneries at competitive prices:* Turkey is a well-developed market that produces world-class consumer products. They maintain strict international standards in price, quality and delivery requirements. To succeed in this market, Ethiopian producers will have to deliver at a level that meets or exceeds that which they meet in other markets in which the country's producers operate.

Although the Ethiopian hair sheep skin has fine grain structure that makes it suitable for garment production, the sheep nappa garments currently produced from Ethiopian sheep skin is of lower quality than what is being used by the Turkish garment industry. Ethiopian tanners need to improve the quality of their finishing and offer attractive prices to gain a foothold in this market.

Additional market dynamics and logistics channel details are captured in Annex 7 of this report.

## **Italy – Manufactured Leather Products**

### Market opportunity and trends

Italian leather product companies already have long-standing relationships with Ethiopia and view Ethiopian exporters as having great potential to grow in the European market for finished leather products, particularly shoes. Ethiopia imports raw materials (finished leather and accessories) from Italy to incorporate into its leather products manufacturing and often re-exports finished products back to Italy. There is great potential to grow the volume traded, but a number of challenges exist, largely with respect to quality control, manufacturing management and techniques, and governmental regulations and customs procedures.

### Market requirements

Both imports of raw material into Ethiopia and exports of finished product require lengthy governmental processes. It takes one month to get a license to import raw materials into Ethiopia and

a letter of credit, because the government of Ethiopia will only give an import license if there is enough foreign exchange available and allocated. For goods imported through Djibouti, the Government of Ethiopia requires transportation of containers from Djibouti to one of the Ethiopian dry ports via Ethiopia Shipping Lines (ESL), a government-run and owned company. This company is notorious for delays – sometimes taking months after goods arrive into Djibouti before they are delivered to the consignee in Ethiopia.

Additional market dynamics and logistics channel details are captured in Annex 5 of this report.

## MARKET OPPORTUNITIES

The Ethiopian leather industry has significant potential to become a higher volume and world class supplier of high quality finished leather and leather products including shoes, garments, gloves and accessories. Foreign investors have been increasingly discovering Ethiopia's potential and the government of Ethiopia has made the leather and leather products value chain among the top four priority industries in the country due to its 1) strong backward linkages to the rural economy, contribution in alleviating poverty, and 3) its potential for increasing exports and hence the flow of foreign currency into the economy. If the industry players can move beyond the challenges of raw material quality and supply, the Ethiopian brand of leather production has unlimited potential for growth in the coming decade.

- ***Improve quality of hides, skins and finished leather*** – The Ethiopian HSL industry should aim to improve the quality of its hides, skins and finished leather along the following lines:
  - *Improve technology for splitting hides* which will not only improve the quality, but also reduce costs. Improving extension systems for backyard slaughtering / hide sales may also be useful if it could be delivered in a cost-effective manner.
  - *Improve workforce skills in tanneries* – Provide training to the tannery workforce in proper finishing techniques and management practices.
  - *Take actions to improve control of diseases, especially ekek*. Although the industry and government have tried addressing this issue in the past, the problem has not been resolved and firm action must be taken to address this major problem.
- ***Improve quality of manufactured leather products*** – Ethiopia needs to improve its production techniques – through technology upgrades, establishing warehouses with spare parts, and improved training of the workforce. .
  - *Technology upgrades* – According to Italian importers, Ethiopian factories do not prepare the pieces for stitching well because they do not always use the right equipment.
  - *Spare Parts* - Ethiopian factories rarely have spare parts in the country requiring anywhere from 6 to 12 weeks to import spare parts when machines break down. The industry could join forces to establish a warehouse of supplies and common spare parts to improve recovery time when machines break down.
  - *Technical knowledge* – Repairs of machines are inefficient not only due to the lack of spare parts and tools, but also due to the lack of technical knowledge on how to operate and repair the machines.
- ***Develop customized marketing strategies per end market and market segment*** – The Ethiopian leather sector must develop well researched and thought-out market entry (and maintenance) strategies to gain market share in targeted end markets. The market opportunities for export of leather products from Ethiopia should be further researched to further identify products that have market potential, market segments to target, understand the trade channels, identify major players and design marketing strategy to penetrate the market.

Such market research should also help to identify major companies in the chain who are willing to source leather products from Ethiopia and establish business relationship. Generally there is a lack of understanding of fashion concepts and how consumer preferences shape what is produced by Ethiopian leather products manufacturers.

- *Improve domestic marketing channels for raw hide and skin collection* by putting in place appropriate means of transportation, storage as well as marketing systems. There are logistics problem with sourcing hides and skins from rural areas that lead to high transaction costs. There is no organized supply collection system.
- ***Reduce / streamline cumbersome government regulations for imports and exports of leather products*** – The Government of Ethiopia requires licenses for both imports and exports of goods, even for small amounts of inputs required to produce sample shipments for potential buyers. These reportedly take approximately one month to obtain. There are also reported delays at customs even after obtaining the proper licenses. Cumbersome and time-consuming government regulations indirectly encourage illicit trade of raw skins, hides and leather products. One Chinese tannery has set the precedent of developing an agreement with the Government of Ethiopia permitting that Chinese goods cannot stay in customs any longer than one day. Finally, the government requirement to transport all goods from Djibouti to the Ethiopia dry port via Ethiopia Shipping Lines (ESL) is not efficient and needs to be relaxed to allow more competition into this market to provide transport and logistics services.
- ***Actively promote Ethiopian finished leather and leather products at industry trade shows and targeted end-market destinations such as Turkey, Italy and Kenya*** – Knowledge of Ethiopian-branded leather products is minimal at end market destinations. Efforts to promote Ethiopian products could be an effective strategy to raise awareness and increase market share. Some of the trade shows of interest are the leather products trade show in Bologna (May and October) and other smaller trade shows in Italy in March, September, January and June. Turkey also holds leather products trade fairs and East Africa also has a number of trade fairs. Trade fair participation and trade missions could / should be organized by the Ethiopian Leather Industry Association and supported by USAID- LMD.

## DAIRY (DOMESTIC ANALYSIS ONLY)

### MARKETS FOR DAIRY

- **Ethiopia's milk markets are essentially domestic.** There is some cross-border trade, mainly informal in nature.
  - Metema / Sudan route end market - mostly cow's milk imports from Sudan
  - Dire Dawa / Djibouti route end market - There is no formal legal export trade in dairy products by this route, but some camel's milk is formally exported from this area via the Togo-challe route.
  - Jijiga/Togo-challe / Somali Land route end market – A significant amount of camel's milk exported via this route, both formally and informally, for Somali consumption. Formal (legal) export of camel's milk is on average between 1600 and 2500 liters per day, at a price of USD 0.081/liter. In the 2011/12 fiscal year, a total of 1,180,332 liters of milk was legally exported and USD 146,070 earned from this export market. 1,019,490 liters of camel milk were exported in the last six months of the current fiscal year.
- **Per capita consumption of dairy is very low in Ethiopia**, well below international benchmarks. At 19 liters per annum, per capita, annual milk consumption is well below the world average of 105 liters and the African average of about 40 liters.<sup>21</sup> A brief survey conducted for this EMA<sup>22</sup> across four cities showed wide variation in consumption - Addis Ababa has the highest consumption, at 51.83 liters per capita, while Dire Dawa, Awassa and Bahir Dar average only 4.42 liters per capita.<sup>23</sup>

Various factors act to depress demand for dairy products:

- Many middle and low-income consumers interviewed stated that **price of milk is very high**, and that they are finding it increasingly difficult to purchase milk and milk products. About 92% of the cafeterias/hotels and 91% of consumers interviewed cited very high price of dairy products as a major challenge. Raw milk purchased in urban areas costs 7-14 ETB/liter (USD \$0.38-\$0.76).<sup>24</sup> Pasteurized milk can cost more than 16 ETB (USD \$0.87) per liter, which is unaffordable for most households.<sup>25</sup>
- **Fluctuations in the demand** for milk and other dairy products, because of the various fasting periods, during which Orthodox Christians (comprising 43.5% of the population, 59.1% in Addis Ababa<sup>26</sup>) who are observant will abstain from consuming all kinds of animal products. Demand drops during the long fasting seasons of *Kudade* (55 days, usually in March/April) and *Filseta* (16 days, in August). Wednesdays and Fridays of every week are also fasting days. There about 200 fasting days in a year.
- Producers report a 50% drop in their milk sales during the major fasting periods. During these periods they process milk into butter and cheese, which have longer

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<sup>21</sup> FAOSTAT

<sup>22</sup> Because of the small sample size the surveys conducted for this dairy end market analysis should only be considered to be indicative.

<sup>23</sup> Because of the relatively small sample size, this data should only be considered as indicative of consumption patterns.

<sup>24</sup> Ibid.

<sup>25</sup> LMD Research, 2013

<sup>26</sup> CSA, 2007

shelf lives and can be sold after the fasting period. Both milk and other products are sold at significantly lower prices during this period.

- In the highlands milk is traditionally considered to be a food item which is essential only for babies and convalescent persons. **Its nutritional benefits for adults tend to be overlooked.** As a result, the value attached to milk's consumption is limited.
- **Most milk is marketed informally.** Estimates suggest that 90% of the milk supplied to the Addis Ababa market and 95% to the national market passes through informal marketing channels – all unprocessed.<sup>27</sup>
- **Dairy products reach the consumer through several market channels:**
  - **Smallholder producers** sell their dairy products directly to consumers in nearby neighborhoods and towns, or indirectly through other intermediaries, such as collection cooperatives and processors (the latter buy the milk at temporary collection centers located along major highways passing near villages).
  - **Urban and peri-urban producers** sell directly to processors, cafeterias, hotels, supermarkets and retail shops, or to cooperatives. The urban and peri-urban production systems includes many market-focused smallholder producers located close to and supplying urban centers – most importantly, Addis Ababa. These dairy farms distribute fresh milk to processors, cafeterias, hotels, supermarkets and retail shops. There are approximately 3,000 such smallholder dairy farms around Addis Ababa.<sup>28</sup> More productive, progressive small-scale farmers in the various milksheds sell their milk to cooperatives and commercial milk collectors and processors.<sup>29</sup>
  - **Cooperatives** sell milk and milk products to processors, cafeterias, hotels, supermarkets, retail shops or final consumers. Dairy production and marketing cooperatives collect fresh milk either from their members or other small holder famers in their area and resell it to processors, cafeterias, hotels, supermarkets, retail shops or final consumers. In 2010 there were 114 primary dairy cooperatives and 8 dairy unions operating in Addis, Lake Tana, Mekele and Humera milksheds.<sup>30</sup>
  - **Commercial producers** sell to large processors. Specialized, commercial dairy farming is concentrated in the central highland plateau. The farms are mostly located around major cities and towns with high demand for milk and having population of more than 10,000.<sup>31</sup> Commercial dairy farmers usually sign annual contracts to supply fresh milk on a daily basis by directly transporting it to the processor's factory or collection center. Some processors (like Sebeta Agro Industry PLC and Timret Agro Industry Share Company) also have their own dairy farms as sources of fresh milk supply.
  - **Processors** distribute their milk and dairy products to retail shops, supermarkets, restaurants and cafes and hotels located in major urban centers. In 2010 LOL estimated that there were more than 2500 kiosks, and many milk shops, selling milk and milk products.<sup>32</sup>

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<sup>27</sup> Land O' Lakes, Inc., 2010

<sup>28</sup> Addis Ababa Urban Agriculture Office

<sup>29</sup> LMD research 2013 and MoARD, 2008

<sup>30</sup> Land O'Lakes, Inc., 2010

<sup>31</sup> Ibid

<sup>32</sup> Ibid.



## MARKET REQUIREMENTS AND THE VALUE CHAIN'S PERFORMANCE

- **Urban markets receive insufficient quantities of milk.** Production and logistics constraints limit the supply of milk:
  - *Low productivity levels*, caused by limited use of crossbred cows, and poor feeding and other management practices. Shortages of milk are more severe during the dry months of April and May. Also, the low fat content of the milk yields relatively small portions of butter and cheese (e.g.: 25 liters of milk yields only one kg of butter and two kg of cottage cheese).
  - *Urban expansion* of Addis Ababa and other cities and towns have crowded out dairy farms and providers of feed supply.
  - *There are few large scale commercial dairy farms in the country.* Large producers have the ability to invest in productivity and in logistics, and to achieve economies of scale.
  - *Because of the low productivity per cow and logistics barriers in getting the product to market, most production is consumed at the household level.* Of the total national annual milk produced in 2011/12 production year, only 4.69 percent was sold to the market; the rest was used for household consumption (46.61%), in-kind wage payments (0.35%) and other purposes including production of butter and cheese (48.36). On the other hand, 34.46% of butter and 12.96% of cheese produced in the same period was supplied to the market<sup>33</sup>.
- **Milk Quality is often not maintained, and not trusted by consumers.** Long transport distances, use of local transport, the time required to reach market, and poor handling result in reduced milk quality, contamination and spoilage. Up to 20-35% of milk is spoiled or otherwise lost.<sup>34</sup> There are reported cases where smallholder producers and collectors and/or their employees will mix water (which in itself may not be safe to drink) to increase the volume. There is only a very limited cold/chill chain in the form of refrigerated trucks or cooling centers. Also, many retail outlets are not adequately equipped with cooling facilities. There are no mandatory Ethiopian standards related to dairy production and processing. Non-mandatory Ethiopian standards exist for: Unprocessed whole/raw cow milk (ES 3460: 2009), Yoghurt and Sweetened yoghurt (ES 3468:2009), Cream (ES 3466:2009), Butter-Determination of moisture (ES ISO 8851-10-1: 2009), non-fat solids and fat contents (Routine methods) and Pasteurized liquid milk (ES 3462:2009). However, these standards are reportedly not complied with by any of the producing or the processing firms. Currently there are no ISO or HACCP certified domestic dairy producers or processors operating in Ethiopia.
- **Domestically processed milk products are considered to be of suspect quality, and inferior to imported products.** This is due to concerns about spoilage, adulteration and contamination risks during transportation and handling. These erode consumers' confidence in domestic dairy products.
- **Dairy products are often sold without conforming to packaging and labeling requirements.** All major dairy processing firms pack and label their products in line with the mandatory Ethiopian standard for the labeling of prepackaged foods (ES 359:2006). However, non-formal milk sales typically do not adhere to this standard.
- **Milk is unaffordable to many**, especially to the middle class and populations at the base of the pyramid.

<sup>33</sup> CSA, 2011/12, Agricultural Sample Survey Report on Crop And Livestock Product Utilization

<sup>34</sup> Felleke et al, 2010

- **VAT and import duties add to the cost of milk and milk products.** Conversion of milk to butter, yogurt and cheese is considered to be value-addition, and is subject to a 15% value-added tax (VAT). High import duties are imposed on the import of equipment, improved breeds, and other inputs.
- **Milk availability is inconsistent** - Maintaining continuous supply of the required types and quantity of products to customers is also an area of concern – because of inefficient and unreliable milk supply systems.

## PROSPECTS FOR MARKET GROWTH

- **Demand is expected to increase over time, particularly in urban areas.** Population growth, urbanization and rising income levels will all contribute to greater demand for milk and milk products. A 2010 analysis projected that urban and peri-urban demand for milk and milk products will increase dramatically through 2020, and beyond.<sup>35</sup> This demand was estimated to increase by 37% (low estimate) to 148% (high estimate, with nationwide consumption per capita of 27 liters).

## COMPETITION TO THE FORMAL MILK VALUE CHAIN

- **Ethiopia is a net importer of dairy products.** The value of imports of dairy products (in ETB) increased by almost 140% during the period 2005-2010 (Table 9).<sup>36</sup> The volume of imported dairy products reached 1829 MT in 2011 (mostly milk, but also cheese and butter).<sup>37</sup> A number of imported dairy products are available in Ethiopian supermarkets and retail shops. Imported dairy products mainly used to include powdered milk, ghee, and various varieties of cheese. More recently imported homogenized/UHT milk, which has longer shelf life, is also being important and is sold in some supermarkets at very high prices (50 birr per liter, more than double of the price of locally produced pasteurized milk).
- **Quality considerations challenge Ethiopia's ability to compete.** Imported dairy products are viewed by consumers as being of better quality and safety than Ethiopian products.
- **Milk purchased through informal channels is less expensive than processed milk.** Processed milk must compete on the basis of a number of factors – quality, availability, packaging and price.

**Table 9:** Imported Milk and Milk Products (KG)<sup>38</sup>

Product	2005	2006	2007	2008	2009	2010
Cheese	1,717,567	2015,762	2,806,279	3,345,196	2,008	2,562,465
Butter	101,677	302,830	503,183	819,724	193,716	1,427,421
Yoghurt & other butter milk	308,643	4,432,118	1,016,963	1,512,661	303,559	226,742
Milk and cream	46,823,409	63,035,855	48,546,567	77,191,210	99,852,788	114,343,334
<b>Total</b>	<b>48,951,297</b>	<b>69,786,565</b>	<b>52,872,991</b>	<b>82,868,791</b>	<b>100,352,071</b>	<b>118,559,962</b>

<sup>35</sup> Land O'Lakes, Inc., 2010

<sup>36</sup> Ibid.

<sup>37</sup> UN Comtrade, 2011

<sup>38</sup> Ethiopian Customs Authority as cited in Land O'Lakes, 2010

## MARKET OPPORTUNITIES

1. **Promote increased consumption to grow sales and encourage supply.** Advertising, and building awareness of nutritional benefits, should contribute to growth. Improving availability and quality will also build demand.
2. **Improve the quality of the milk to develop consumer confidence and grow the market.** Improved quality should also encourage substitution of locally produced and processed milk for imports. Amongst other actions, improving collection, handling and transport, cold chain and enforcement of standards will all contribute to quality improvement.
3. **Lower costs (and hence prices), to improve affordability and grow the market.** Costs can be reduced by, amongst other means, improving yields, reducing waste and spoilage, and improving economies of scale in production, logistics and processing. Improvement of relationships between producers and processors can be a vehicle for lowering costs and improving quality - for instance to ensure collection, cold chain, embedded services and quality management.
4. **Introduce new products and packaging that cater to the consumption patterns of different consumer segments, that extend shelf life, and that meet the price points of middle and low income customers.** Smaller packaging, single use packaging, ready-to-drink packaging and similar products can improve affordability and help consumers avoid spoilage. Products such as UHT and powdered milk will be alternatives to consumers without refrigeration.

## ANNEXES

Annex 1 includes additional export and import data for Ethiopia. Annexes 2-8 summarize of the main findings in the individual country and domestic end market analysis reports, carried out by LMD country teams, Precise and BCaD between January and March 2013.

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## ANNEX 1: ETHIOPIA EXPORT AND IMPORT DATA BY VALUE CHAIN

**Table 10: Ethiopia Trade Data for Meat (HS 02), 2011<sup>39</sup>**

Meat				
Imports			Exports	
	Market	Value	Market	Value
<b>TOTAL</b>	<b>World</b>	<b>\$ 297,872.00</b>	<b>World</b>	<b>\$ 77,210,231.00</b>
1	USA	\$ 117,795.00	UAE	\$ 43,781,550.00
2	Australia	\$ 56,024.00	Saudi Arabia	\$ 23,185,089.00
3	Italy	\$ 41,308.00	Angola	\$ 3,774,428.00
4	South Africa	\$ 32,502.00	Egypt	\$ 1,780,160.00
5	UAE	\$ 32,183.00	Bahrain	\$ 1,309,232.00
6	China	\$ 4,964.00	Turkey	\$ 948,657.00
7	Saudi Arabia	\$ 4,635.00	Kuwait	\$ 863,722.00
8	Belgium	\$ 3,659.00	Germany	\$ 424,623.00
9	Netherlands	\$ 2,969.00	Comoros	\$ 322,854.00
10	France	\$ 1,151.00	Viet Nam	\$ 296,556.00

**Table 11: Ethiopia Trade Data for Live Animals (HS 01), 2011**

Live Animals				
	Import		Export	
	Market	Value	Market	Value
<b>TOTAL</b>	<b>World</b>	<b>\$1,907,443</b>	<b>World</b>	<b>\$ 190,357,050.00</b>
1	Netherlands	\$ 918,167.00	Fmr Sudan	\$ 68,595,915.00
2	South Africa	\$ 452,204.00	Somalia	\$ 45,318,941.00
3	Israel	\$ 288,005.00	Egypt	\$ 36,524,447.00
4	Kenya	\$ 112,001.00	Djibouti	\$ 10,409,316.00
5	USA	\$ 37,607.00	Saudi Arabia	\$ 7,746,818.00
6	Belgium	\$ 33,575.00	Yemen	\$ 6,335,939.00
7	France	\$ 31,659.00	UAE	\$ 5,658,517.00
8	India	\$ 12,671.00	Jordan	\$ 4,606,659.00
9	Iceland	\$ 8,879.00	Lebanon	\$ 3,176,681.00
10	Mexico	\$ 6,600.00	Kuwait	\$ 1,270,317.00

<sup>39</sup> UN ComTrade. All subsequent trade data tables are sourced from UN ComTrade unless otherwise noted.

**Table 12: Ethiopia Trade Data for Hides, Skins and Leather (HS 41), 2011**

<b>Hides, Skins &amp; Leather</b>				
	<b>Import</b>		<b>Export</b>	
	<b>Market</b>	<b>Value</b>	<b>Market</b>	<b>Value</b>
<b>TOTAL</b>	<b>World</b>	<b>\$ 388,431.00</b>	<b>World</b>	<b>\$ 122,712,875.00</b>
1	Ethiopia re-import	\$ 243,889.00	Italy	\$ 39,438,876.00
2	China, Hong Kong SAR	\$ 52,763.00	China	\$ 27,490,501.00
3	Malawi	\$ 35,142.00	India	\$ 16,850,639.00
4	China	\$ 26,841.00	China, Hong Kong SAR	\$ 15,089,389.00
5	Pakistan	\$ 14,235.00	United Kingdom	\$ 11,718,439.00
6	Germany	\$ 7,599.00	Indonesia	\$ 2,485,593.00
7	Italy	\$ 5,225.00	Germany	\$ 1,766,968.00
8	France	\$ 1,848.00	Turkey	\$ 1,293,379.00
9	Denmark	\$ 868.00	Romania	\$ 1,092,935.00
10	Japan	\$ 20.00	Thailand	\$ 641,294.00

**Table 13: Ethiopia Trade Data for Leather Products (HS 42), 2011**

<b>Leather Products</b>				
	<b>Import</b>		<b>Export</b>	
	<b>Market</b>	<b>Value</b>	<b>Market</b>	<b>Value</b>
<b>TOTAL</b>	<b>World</b>	<b>\$ 7,330,858.00</b>	<b>World</b>	<b>\$ 675,654.00</b>
1	China	\$ 6,214,046.00	Germany	\$ 421,784.00
2	India	\$ 299,588.00	USA	\$ 78,236.00
3	Senegal	\$ 145,982.00	Italy	\$ 58,047.00
4	Viet Nam	\$ 114,957.00	Hungary	\$ 57,829.00
5	United Kingdom	\$ 94,005.00	United Kingdom	\$ 35,914.00
6	Thailand	\$ 88,833.00	Canada	\$ 5,907.00
7	UAE	\$ 65,159.00	Kenya	\$ 2,687.00
8	Italy	\$ 51,022.00	South Africa	\$ 2,650.00
9	Turkey	\$ 31,958.00	Ireland	\$ 2,196.00
10	USA	\$ 31,280.00	Botswana	\$ 1,901.00

**Table 14: Ethiopia Trade Data for Dairy Products (HS 04), 2011**

<b>Dairy Products</b>				
	<b>Import</b>		<b>Export</b>	
	<b>Market</b>	<b>Value</b>	<b>Market</b>	<b>Value</b>
<b>TOTAL</b>	<b>World</b>	<b>\$ 10,623,625.00</b>	<b>World</b>	<b>\$ 3,235,189.00</b>
1	Netherlands	\$ 3,634,275.00	Fmr Sudan	\$ 1,722,523.00
2	Ireland	\$ 2,248,932.00	Djibouti	\$ 527,780.00
3	France	\$ 941,240.00	Norway	\$ 455,170.00
4	New Zealand	\$ 899,002.00	Somalia	\$ 176,148.00
5	Denmark	\$ 384,188.00	United Kingdom	\$ 109,547.00
6	Saudi Arabia	\$ 351,865.00	Saudi Arabia	\$ 77,141.00
7	Germany	\$ 350,592.00	Botswana	\$ 41,834.00
8	Belgium	\$ 326,751.00	Kuwait	\$ 41,523.00
9	China	\$ 297,278.00	Yemen	\$ 31,331.00
10	UAE	\$ 215,165.00	South Africa	\$ 20,886.00

## ANNEX 2: ANGOLA SUMMARY MARKET ANALYSIS FOR LIVESTOCK PRODUCTS

### TRADE DATA

**Table 15:** Angola Trade Data for Meat (HS 02), 2011

Meat				
	Imports		Exports	
	Market	Value	Market	Value
<b>TOTAL</b>	<b>World</b>	<b>\$ 749,588,000</b>	<b>n/a</b>	<b>n/a</b>
1	Brazil	\$ 302,663,000	"	"
2	United States of America	\$ 208,345,000	"	"
3	Portugal	\$ 36,799,000	"	"
4	Netherlands	\$ 28,744,000	"	"
5	Paraguay	\$ 19,904,000	"	"
6	Belgium	\$ 14,533,000	"	"
7	Mexico	\$ 11,523,000	"	"
8	Canada	\$ 7,650,000	"	"
9	Spain	\$ 5,633,000	"	"
10	Turkey	\$ 2,312,000	"	"

NB: Imports based on partner reporting; no export data available

### EXPORT HISTORY

Beginning in 2010, Mr. Zull Adatiya's import company has imported a total of 80 containers of frozen beef from Ethiopia. The Angolan army is one of Mr. Adatiya's largest customers.

### MARKET SIZE AND TRENDS

At \$8,700, per capita income in Angola is high and the country's economy and population are growing. According to the Economist, Angola's annual average GDP growth rate between 2001 and 2010 was 11.1 percent.<sup>40</sup>

*Meat:* Meat production in Angola is very low. There is only one small-scale (government) slaughterhouse in southern Luanda, which slaughters about 15 to 20 animals daily. The meat is used for barbeque and grilled meat consumption, and not processed. Most imported meat from abroad is frozen and/or processed. Angola's countryside is sparsely populated and its domestic livestock population is not very high.

<sup>40</sup> < [http://www.economist.com/blogs/dailychart/2011/01/daily\\_chart](http://www.economist.com/blogs/dailychart/2011/01/daily_chart)>



Angolans typically eat meat at least once a day, most of which is imported (\$750 million in imports in 2011). Imports of meat increased by 65% between 2009 and 2011. There is sufficient demand and interest from importers to increase imports of Ethiopia frozen beef. However, quality concerns must be addressed to ensure long-term growth. Prices must also come down relative to quality.

The Angolan national army is a heavy consumer of frozen beef and maintains a daily demand of 1,800mt. Frozen meat sells in Angola shops between USD 11 and USD 27 per kilogram, depending on the cut and quality. The price of a kilo of frozen beef from Ethiopia was USD 3.85. As indicated in the table below in 2010/11, meat exported from Ethiopia to Angola has never exceeded 1,414.6 metric tons with a value of USD 4.8 Million.

Grilled meat is common in Angola. The per kilogram price of grilled meat can range from USD 20 to USD 40 depending on whether it is purchased from a road side stand or a mid-level hotel.

*Leather and leather products:* Angola has hot climate for most of the year, and as such, consumers generally do not use leather products, and instead wear light clothes. When interviewed, garment and leather product markets expressed little interest in leather products. A sister company of an Ethiopian meat importer tried to market Ethiopian leather products by showing samples, but there was little interest. The LMD research team also brought samples of shoes, but also received little market interest. This suggests that there is no substantial opportunity for Ethiopian leather or leather products in Angola. The local abattoir discards the hides and skins after meat is collected.

#### KEY MARKET SUCCESS FACTORS AND ETHIOPIA’S PERFORMANCE

Market specifications and legal requirements for meat are quite relaxed compared to Middle Eastern markets. Meat should be of quality that is tender and hygienic; packaging materials simply need to protect contents. As the primary imported product in Angola is frozen meat, Ethiopia needs to improve its cold chain logistics to deliver a product of good quality.

Mr. Adatiya reported that the quality of Ethiopian meat has deteriorated and must overcome a number of setbacks. Mr. Adatiya contends that Ethiopian meat has a high moisture content that makes it difficult to cook. He also says that it is comparatively low in protein, containing a higher ratio of bone to muscle. Since Ethiopian cattle are slaughtered in old age after years of serving as draught animals, the meat is less tender and requires longer cooking times. Mr. Adatiya also indicated that the meat his company has imported from Ethiopia has not been packed properly.

Frozen meat producing export abattoirs use poor quality animals and have resulted in a negative image of Ethiopian meat in the Angolan market. Mr. Adatiya believes that Ethiopian Borena cattle would be of sufficiently high quality for the Angolan market, but the price is currently very high.

**Table 16: Beef Prices in Angola (USD)**

Frozen	Supermarket	Roadside (Grilled)	Mid-Level Hotel (Grilled)	High-End Hotel (Grilled)
\$ 11 – 27 / kg	\$ 20 – 27 / kg	\$ 20 / kg	\$40 / kg	\$ 90 / kg

## COMPETITION

Angola imports meat largely from Brazil, USA, India, Uruguay, Portugal and Argentina. As mentioned above, importers complained that Ethiopian meat is lower in quality than that from other countries.

Key informants indicated that frozen beef earns a high retail premium. Frozen beef from Paraguay and Uruguay are imported at a cost of USD 3.3 per kilogram, while the retail price in a supermarket is between USD 11 and 27.

## LOGISTICS

Meat is transported to Angola via air transport and sold through wholesalers with developed cold storage facilities for retail to supermarkets, butchers, roadside markets and restaurants.

Flights from Addis Ababa to Luanda are 4 hours. Ethiopian Airlines has regularly scheduled flights to Angola.<sup>41</sup>

## OPPORTUNITIES

Discussions with local importers revealed that they would be open to purchasing meat from Ethiopia, provided they could be assured of a consistent supply of sufficiently high quality meat.

One possible advantage in the marketplace is consumers' perception that Ethiopian beef is considered "organic" – free range grazing.

## MARKET ACTORS/CONTACTS

There are a limited number of meat suppliers in Angola. Mr. Zull Adatiya and his partner Ms. Elini are meat importers and were consulted for this study. They are senior Angolan meat buyers with more than 20 years of industry experience, and know Ethiopia and its meat products. Mr. Adatiya supplies meat to the Angolan Army. The Army has consumed Ethiopian meat in the past, but stopped buying because of the decline in Ethiopian meat quality.

The LMD team also interviewed Mr. Mahir, a supermarket proprietor, and Mr. Zelalem, an importer of Middle Eastern goods. The team also visited one supermarket, one wholesaler, one retailer shop, the local slaughterhouse and restaurants.

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<sup>41</sup> <<http://www.ethiopianairlines.com/en/booking/timetablex.aspx?departCity=LHR&destCity=LAD>> accessed 4/5/13

## ANNEX 3: EGYPT SUMMARY MARKET ANALYSIS FOR LIVESTOCK PRODUCTS

### TRADE DATA

**Table 17: Egypt Trade Data for Meat (HS 02), 2011<sup>42</sup>**

Meat				
	Imports		Exports	
	Market	Value	Market	Value
<b>TOTAL</b>	<b>World</b>	<b>\$947,386,459</b>	<b>World</b>	<b>\$7,493,600</b>
1	Brazil	\$445,707,420	Kuwait	\$3,774,790
2	India	\$244,271,337	Viet Nam	\$856,741
3	USA	\$204,322,572	UAE	\$790,779
4	Australia	\$19,841,909	Qatar	\$520,587
5	Colombia	\$7,978,745	Libya	\$389,855
6	New Zealand	\$7,072,544	China, Hong Kong SAR	\$294,316
7	Canada	\$5,602,082	Lebanon	\$180,043
8	Poland	\$3,668,380	Bahrain	\$160,336
9	Denmark	\$2,671,539	Jordan	\$89,248
10	China	\$1,279,921	Syria	\$74,086

**Table 18: Egypt Trade Data for Live Animals (HS 01), 2011**

Live Animals				
	Import		Export	
	Market	Value	Market	Value
<b>TOTAL</b>	<b>World</b>	<b>\$101,800,072</b>	<b>World</b>	<b>\$12,583,608</b>
1	Djibouti	\$29,682,506	Saudi Arabia	\$5,452,796
2	Australia	\$16,796,547	UAE	\$4,380,221
3	Germany	\$15,538,522	Kuwait	\$1,905,822
4	Croatia	\$15,321,802	Libya	\$209,751
<b>5</b>	<b>Ethiopia</b>	<b>\$14,722,940</b>	Jordan	\$141,960
6	Netherlands	\$7,816,793	Qatar	\$104,215
7	Hungary	\$1,339,343	Lebanon	\$99,107
8	Romania	\$516,233	Fmr Sudan	\$76,820
9	Ukraine	\$37,976	France	\$45,041
10	Libya	\$26,905	USA	\$37,086

<sup>42</sup> UN ComTrade

**Table 19: Egypt Trade Data for Hides, Skins and Leather (HS 41), 2011**

<b>Hides, Skins and Leather</b>				
	<b>Import</b>		<b>Export</b>	
	<b>Market</b>	<b>Value</b>	<b>Market</b>	<b>Value</b>
<b>TOTAL</b>	<b>World</b>	<b>\$13,741,949</b>	<b>World</b>	<b>\$152,274,390</b>
1	Spain	\$3,830,851	Italy	\$39,386,215
2	Lebanon	\$1,902,876	Spain	\$36,048,347
3	Libya	\$1,381,531	Portugal	\$34,539,209
4	Italy	\$1,226,644	India	\$16,326,920
5	Slovenia	\$899,840	Turkey	\$6,316,076
6	USA	\$768,935	China, Hong Kong SAR	\$6,280,024
7	Iraq	\$738,237	China	\$4,836,389
8	Brazil	\$508,142	Indonesia	\$1,978,313
9	Canada	\$505,788	Tunisia	\$1,331,373
10	Germany	\$339,426	Rep. of Korea	\$963,756

**Table 20: Egypt Trade Data for Leather Products (HS 42), 2011<sup>43</sup>**

<b>Leather Products</b>				
	<b>Import</b>		<b>Export</b>	
	<b>Market</b>	<b>Value</b>	<b>Market</b>	<b>Value</b>
<b>TOTAL</b>	<b>World</b>	<b>\$46,630,890</b>	<b>World</b>	<b>\$6,300,365</b>
1	China	\$34,388,845	Italy	\$2,811,492
2	United Kingdom	\$2,060,797	India	\$767,124
3	Turkey	\$1,947,022	Portugal	\$339,598
4	Germany	\$1,314,296	Belgium	\$289,050
5	Italy	\$1,114,175	Greece	\$276,008
6	Spain	\$1,018,614	Saudi Arabia	\$264,884
7	United Arab Emirates	\$655,124	Jordan	\$224,257
8	India	\$453,142	Spain	\$145,521
9	China, Hong Kong SAR	\$443,494	United Kingdom	\$145,344
10	France	\$428,453	Yemen	\$112,184

## EXPORT HISTORY

The Egyptian market has been flagged as a growth opportunity for both live animal and meat exports. Egypt and Ethiopia maintain good relations and diplomatic efforts are being made by both sides to increase trade flows. The current value of trade between the two nations is about USD 150 million. Of this, the majority of the trade was comprised of higher value manufactured Egyptian products, thus leaving a trade gap between the two nations.

Ethiopia has been exporting both meat and live animals to Egypt since 2005. LMD interviews revealed that Egyptians like the taste profile of Ethiopian beef. Amalmisr is one of the primary exporters of camel to Egypt. Pan Afric Trade has been a major buyer of Ethiopian live animals. They had expressed interest in specializing in importing Ethiopian cattle, however they ceased import activity in August 2012 due to price escalation.

<sup>43</sup> UN ComTrade and International Trade Center Trade Map

Egypt exports crust and finished leather. There is interest among leather goods manufacturers for Ethiopian leather, which they perceived as being of a high quality. However, hides and skins exports to Egypt ceased in 2009, when the government of Ethiopia imposed a tariff of 150% on the export of wet blue. Ethiopian manufacturers do not have experience selling finished leather to Egypt.

## MARKET SIZE AND TRENDS

The Egyptian market mainly demands cattle younger than two years old and weighting between 220-230 kg. Animals up to five years old are occasionally acceptable in periods of high demand. Egypt imported USD 100 million of live animals and over USD 1 billion of meat in 2011, whereby Ethiopia contributed to 14% and <1% respectively.

There is already a developed taste in the Egyptian market for Ethiopian meat. Rather than frozen meat, the local market prefers deboned fresh and tender chilled meat that maintains its color for two weeks of shelf life. In 2009, Pan Adric imported a shipment of Ethiopian meat was detained due to rumors of disease threat. While the threat was eventually disproven, the negative reputational effects are still felt and Pan Afric only imports live animals until Ethiopia's reputation heals. In addition to beef, demand for sheep and goat meat spikes during Muslim holidays.

Within Egypt, there are thousands of retail outlets. Ethiopian meat is distributed through 35 of the 350 retail outlets in Cairo under the supervision of the publicly owned Food Industries Company (PIC).

Egyptian manufacturers regard Ethiopian leather as being of high quality and demonstrated an interest in importing leather from Ethiopia, were it not for the prohibitively high price.

## KEY MARKET SUCCESS FACTORS AND ETHIOPIA'S PERFORMANCE

Egypt's only branding requirement is that the meat will always have to be identified from where it originates. Fortunately, Egyptians like the taste of Ethiopian meat and Egyptian importers have expressed interest in increasing their Ethiopian meat imports. However, they face several barriers that prevent a consistent supply of quality meat and an efficient means of getting to Egyptian markets.

The Egyptian market is very price-sensitive. The escalating price of live animals from Ethiopia, rising from USD 1,500 to USD 1,700 per ton resulted in reduced demand among Egyptian importers, who, according to LMD interviews, considered a price of USD 1,600 as more reasonable.

Ethiopian Borena cattle and camels are the most highly regarded and Ethiopian beef is sold along with Sudanese and local buffalo meat at LE 40.00 (USD 5.85) per kg, which is the highest price offered for meat in the retail market.

Despite the high retail price, importers pointed to several factors that affect quality. These include an inefficient transport system; fluctuations in the tenderness of meat due to insufficient quality feed, lack of skilled manpower for deboning, cutting and packaging meat; an absence of commercially oriented animal husbandry; and lengthy lead times between traders taking orders and stocking animals.

Currently, Ethiopian animals are typically fattened only at old age after being used for traction. This results in stiffness of meat and low meat density around bones. Importers recommended that animals

need to be fed from their early stage of growth to attain their maximum growth potential in a short period, and that animals should be specifically bred and fed for meat.

## COMPETITION

Brazil, USA and India are the primary suppliers of meat to Egypt. Collectively, they account for 94% of Egypt's official meat imports in 2011. For meat and live animals, Sudan is Ethiopia's most immediate competitor, though an estimated 1,000 head of cattle are illegally exported from Ethiopia into Sudan each day, potentially accounting for a significant proportion of Sudan's exports to Egypt. As noted above, Sudanese and Ethiopian meat yield much higher prices than other imported meat. The current price of deboned and chilled meat from Ethiopian animals is LE 40.00. Frozen meat from Brazil and other countries is sold at LE 26.50 (USD 3.88).

## LOGISTICS

Live animals are transported via Djibouti on maritime vessels which are either owned by importers or their regular transport service providers. The trip takes 16 days, including eight days for transporting from Adama to Djibouti, where they are quarantined, and eight days for sea transport.

Egypt maintains a strict control on the importation of animals and meat. Before the animals and meat are exported, animals must be kept in quarantine for 21 days and the Egyptian Council of Scientists sends a team of veterinarians to inspect the health of animals and the slaughtering and packing processes before approving import. Mainly, the inspection is for Foot and Mouth Disease (FMD). Even though this disease is endemic in Egypt, they take care not to introduce new strains. The animals are also quarantined and slaughtered at the port of unloading to avoid any possible disease transmission. After the animals are slaughtered, the importers sell to designated wholesalers who are mainly the Army and the publicly owned Food Industries Company (PIC). There are two main quarantine stations and slaughterhouses, one belonging to the army and the other one to Pan Afric Trade, the main importer of Ethiopian cattle. Camels are not kept in quarantine.

Pan Afric Trade is fully sourcing from Ethiopia. They have the capacity to import 2,300 cattle in one shipment with the company's own ship, and other carriers with which it is affiliated. The company's quarantine in Suez has the capacity to hold 3,500 cattle, and the slaughterhouse has the capacity to process 150 cattle per shift.

Exporters usually receive orders to collect animals before the importer comes to buy. However, negotiation takes place on the spot after the animals are collected.

Fresh meat is transported via air freight, either via Ethiopian Airlines or Egypt Air. Importers prefer to use Egypt Air due to the significant price difference. However, some complained of deliberate delays at the Addis Ababa airport when they do so. Table 19 below includes several transport modes and prices.

**Table 21:** Transport Price from Ethiopia to Egypt (USD)

Type of Product	Type of shipment	Ethiopian Airlines	Egypt Airways	Road Transport
<b>Live Animal</b>	FOB Djibouti	NA	NA	1.80/kg
<b>Fresh meat</b>	FOB	NA		5.50/kg (Frozen)
<b>Leather</b>	CIP	1.92/kg for 100 – 500 kgs 1.72/kg for >500 kgs	3.70/kg for 100 – 250 kgs 3.50/kg for 250 – 500 kgs 3.35/kg for 500 – 1,000 kgs 2.95/kg for >1,000 kgs	NA

Private importers are in charge of importing meat. These importers either sell meat to the military, which has its own distribution outlets to the public, or to a public sector distribution company named Food Products Holding Co. These wholesalers distribute through their various outlets, including butcher shops and supermarkets. The public holding company has about 350 channels, 35 of which distribute meat from Ethiopia and Sudan.

Pan Afric also attempted to import meat from Ethiopia in 2009, during which time four cargo flights (160 tons) were imported from Luna and Hashimexport abattoirs. But the last shipment was detained due to rumors of disease threat.

The Egyptian packaging requirement for meat is not different from other countries' requirements. Meat product need to be individually wrapped with food graded plastic cover inside and carton outside.

## OPPORTUNITIES

### **Meat**

There is recent history of live animal and meat export to Egypt and a growing interest to increase purchases from the Egyptian importers' side. Because of its close proximity, Ethiopia can easily export chilled meat to Egypt.

Several actions would facilitate export of animals and meat to Egypt. These include: promoting commercial breeding; fattening cattle while still less than two years old; facilitating the construction of a quarantine near the Djibouti border; improving veterinary service extension to prevent internal organ disease and FMD; regulating the registration of slaughtering service and meat export as two different activities to help slaughter houses operate at full capacity; and regulate the live animal trading system possibly to make it more transparent.

### **Leather**

Leather could be exported to Egypt mainly through Egyptian importers, who in return would sell to manufacturers of leather goods. One way to facilitate such exchanges would be through the participation in trade fairs. During a meeting with the Export Promotion Department of the Ministry of Industry of Egypt, the Egyptian representatives expressed an interest in participating in the All-African Leather Fair, which was held in Addis Ababa between 20 February and 22 February, 2013. They also mentioned that they invited Ethiopian exporters to participate in their fair the following month. Such trade fairs are important promotional tools, creating contacts between exporters and importers.

Another opportunity would be to regulate the registration of tannery service and leather trading as two different activities to help tanneries operate at full capacity and improve quality awareness at the hide and skin traders' level.



**MARKET ACTORS/CONTACTS**

<b>Date</b>	<b>Description of discussion session (FGD, individual interview, other)</b>	<b>Respondent/s</b>	<b>Contact Details</b>
10.01.13	Embassy of Ethiopia, introductory discussion and mission set-up	Mr. AyeleLire, Minister Counselor	+202 (0) 3335 3696 <a href="mailto:Ajija1999@yahoo.com">Ajija1999@yahoo.com</a>
10.01.13	Ministry of Agriculture	Prof. Osama Mahmoud Ahmed Selim, Chairman of GOVs	+202 (0) 3749 8359 <a href="mailto:Govs_egy@govs.gov.eg">Govs_egy@govs.gov.eg</a>
10.01.13	Focus group discussion on veterinary inspection	&Dr.YossefMamdouhShalby, Head of Vet. Quarantine in Egypt; and a few importers	+202 (0) 3748 1763 <a href="mailto:youssefshalby@hotmail.com">youssefshalby@hotmail.com</a>
10.01.13	Discussion with Pan AfricTrade (PAT) about their importing experience from Ethiopia	Mr. RoshdyHelal, Mr. Hassen and other partners	+202 (0) 2267 0871 <a href="mailto:g.m@pan-africa-trade.com">g.m@pan-africa-trade.com</a>
11.01.13	Discuss with AmalMisr Importer	Mr. A.A. Abdelakher	+202 (0) 2376 28342; <a href="mailto:amalmisr2012@yahoo.com">amalmisr2012@yahoo.com</a>
11.01.13	Discuss with Alanaam.co importer	Owner Manager	<a href="mailto:elanamegypt@gmail.com">elanamegypt@gmail.com</a>
12.01.13	Visit Quarantine and Slaughter House in Suez belonging to PAT	Quarantine head and Slaughter house head	+202 (0) 2267 0871 <a href="mailto:g.m@pan-africa-trade.com">g.m@pan-africa-trade.com</a>
13.01.13	Discussion, Office of the FAO Representative	Dr. YilmaJobry, Team Leader ECTAD Egypt	+202 (0) 3331 6000 <a href="mailto:Yilma.jobre@fao.org">Yilma.jobre@fao.org</a>
13.01.13	Discussion with Leather Export Council of Egypt	Dr. KhaledSabry, Executive Director and Mr. Ahmed Short, Chairman	+202 (0) 2342 0909 <a href="mailto:lec@mti.gov.eg">lec@mti.gov.eg</a>
13.01.13	Market observation (Individual Butchery)	Butcher	
14.01.13	Embassy of Ethiopia, wrap up discussion	H.E. Ambassador Mohammed Dirir	<a href="mailto:Ethio59@yahoo.com">Ethio59@yahoo.com</a>
14.01.13	Holding of Food Industries Co.	Mr. TarekShalan, Export & Marketing Head Sectors	+202 (0) 2284 6649 <a href="mailto:Food_industries@yahoo.com">Food_industries@yahoo.com</a>
14.01.13	Market Observation (Butchery that belongs to Food Industries Holding Co.)	Butchers	
14.01.13	Interview with Ethiopian Exporter who we met in Cairo	Mr. ShifareAssefa, Animal Exporter	+ 251 (0) 11 553 7877 <a href="mailto:sag@ethionet.et">sag@ethionet.et</a>

## ANNEX 4: DEMOCRATIC REPUBLIC OF CONGO SUMMARY MARKET ANALYSIS FOR LIVESTOCK PRODUCTS

### TRADE DATA

**Table 22:** DRC Trade Data for Meat (HS 02), 2011<sup>44</sup>

Meat				
	Imports		Exports	
	Market	Value	Market	Value
TOTAL	Total	\$ 125,910,000	n/a	n/a
1	United States of America	\$ 31,660,000	"	"
2	Netherlands	\$ 26,328,000	"	"
3	Belgium	\$ 16,010,000	"	"
4	Brazil	\$ 15,695,000	"	"
5	Turkey	\$ 5,151,000	"	"
6	Germany	\$ 4,195,000	"	"
7	France	\$ 2,169,000	"	"
8	Italy	\$ 1,598,000	"	"
9	South Africa	\$ 1,546,000	"	"
10	Spain	\$ 861,000	"	"

NB: Import data based on partner reporting; no export data available

### EXPORT HISTORY

Ethiopia and the Democratic Republic of the Congo (DRC) do not have a bilateral trading partnership at present. There is regular air cargo service, and several companies have piloted vegetable and even meat exports from Ethiopia. However, these ventures have been sustained.

### MARKET SIZE AND TRENDS

Democratic Republic of Congo (DRC) is one of the largest countries in Africa, covering a total land area of 2,344,858 sq km. The population size in July 2012 was estimated to be 73,599,190. The country is endowed with rich mineral resources, but the country's lengthy civil war and unrest has, among other factors, prevented significant economic growth. GDP per capita is estimated at USD 400, which is the lowest in the world.<sup>45</sup> The DRC's undeveloped agricultural sector does not satisfy domestic demand, and the country requires significant imports of food items. There is some domestic production in the livestock sector; the eastern part of the country has livestock production (estimated to be no more than 1.2 million animals) and is the main source of domestic meat. However, the DRC imported \$126 million of meat in 2011 and meat exports have increased by 60%. The majority of Congolese people (total population of 73 million) are unable to afford beef. As such, their primary source of protein is fish and chicken.

There are a few large import and distribution companies in DRC which are mostly owned by Lebanese and Belgians, except for one which is owned domestically. These companies import food items and other products from various countries including, India, Brazil, Argentina, South Africa, Namibia and China, and distribute through supermarkets and other distribution channels which are owned by other actors. Live animal import is not a common practice, but meat from various sources are imported with fish taking the lead, then chicken, and a very small amount of frozen beef. Chilled fresh meat is mainly from domestic sources, though some is imported from South Africa.

<sup>44</sup> UN ComTrade

<sup>45</sup> CIA World Fact Book, 2012

The EMA attempted to obtain information about leather and leather products. Generally the DRC does not import significant amounts of leather since there is only one shoe manufacturer, which produces military shoes. Bata manufactured shoes in the DRC for a short time, but closed due to shortage of leather. Shoes are mainly sold by street vendors, but are expensive. Boutiques are supplied by informal means - i.e. people importing products in luggage.

## KEY MARKET SUCCESS FACTORS AND ETHIOPIA'S PERFORMANCE

According to the DRC Ministry of Agriculture, there is a need for authorization of each shipment to import fresh meat. The authorization is given in written form addressed to the Congolese customs describing the amount, country of origin and freight vessel used for importing. If a product is to be imported to States other than Kinshasa, additional permit by State authorities is also required. The same respondent confirmed that there is a major high shortage of fresh beef, meaning that Congolese consumers are willing to purchase any meat without respect for origin. Hence, the respondent gave a promising assessment Ethiopia's potential to export to DRC, assuming good quality is offered at low price. The Customs Bureau Facilitation Director also described that importing standards were not strict, with the exception of an inspection upon arrival to test for fitness for human consumption. Despite this optimism, this assessment observes that the bureaucracy is cumbersome and corruption is a notable factor. Apart from that, it was learned that there is a possibility to deal with importers or retailers to receive the meat upon arrival at a destination port. The Administration Director of Grand Marché also has given initial approval to create a distribution store for meat imported from Ethiopia, should the project have to engage in wholesale or retail business.

Currently, beef is sold in Kinshasa at USD 11-24 based on quality and standard of distribution outlet. The retail price reaches this level after passing through various cost drivers, including the price of the exporter, shipment, insurance, 10% Tariff and 16% VAT. If the Ethiopian exporter could sell meat at about USD 3-4,000/ton, the DRC higher-end customers could be a possible market. A medium size animal which is locally sold at USD 650.00 can have an average carcass weight of 200 kg. Therefore, there is a possibility to sell at USD 3,500/ton according to the EXWORKS slaughter house. However, the current domestic retail price in Addis Ababa ranges from USD 6 – 7.500/per ton.

EMA respondents reported that Ethiopian meat exporters (Luna) had piloted the DRC market, but did not find it attractive in terms of price. The assessment team has also learnt from Shoprite, a large and new supermarket in Kinshasa, that it had been importing vegetables from Ethiopia, but that flow was interrupted due to lack of space on Ethiopian Airlines.

## COMPETITION

The importation of food items includes that of meat with mainly fish, chicken and buffalo from India, Argentina, Brazil, South Africa, Namibia and others. Beef is considered high-end and consumed less frequently. Fish is imported at a rate of USD 2,600/ton from India.

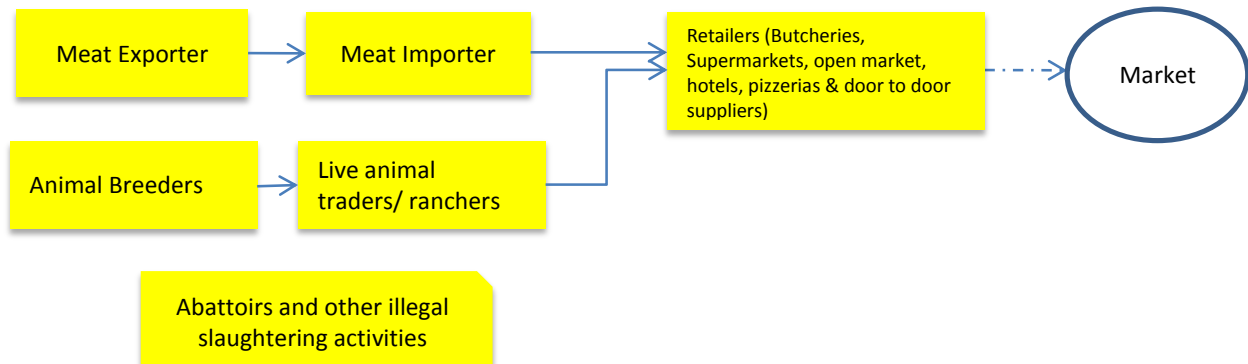
DRC is importing frozen meat from distant countries in Europe, Asia and Latin America. South Africa is the only current source of chilled fresh meat. Ethiopia's proximity and livestock abundance can make it very competitive provided good quality fresh meat can be supplied at a competitive price.

## LOGISTICS

Transportation to DRC can take up to 50 days on a maritime vessel according to a recent report (Tufts University, 2009). One experienced importer indicated that it takes 50 days and 40 days from India and Brazil respectively to ship to DRC. Hence, unless Ethiopia is price competitive, sea shipment may not be a choice. Air Shipment, on Ethiopian Airlines (ET) is the best option for transport of fresh chilled meat. Cargo air freight would cost a bit more than USD 1,000 per ton with promotional price,

according to an EMA respondent (exact price could only be estimated upon actual negotiation). Ethiopian Airlines flies daily and has two scheduled cargo flights per week. It is possible to dedicate one of the cargo flights to export from Ethiopia. The cargo has a 30-32 ton capacity.

The following is a value chain map linking meat export to consumption in DRC.



The abattoirs do not stock animals of their own, but deliver only services to ranchers and retailers. Hence, the abattoirs are horizontally connected to the value chain than relating vertically. Notwithstanding, there is a significant number of animals killed in backyards and distributed to retailers due to limited control.

## OPPORTUNITIES

As indicated above, Ethiopian exporters could target high-end beef consumers. However, this is a limited market.

## MARKET ACTORS/CONTACTS

*Groupe Orgaman:* Orgaman, a Belgian company, has been operating in the country for over 50 years and has two ranches containing about 40,000 cattle. They use abattoir services, which are owned by the government for slaughtering the animals. In addition, they import 40,000 tons of meat (Fish, chicken and pig) from Brazil and Argentina. Orgaman is satisfied with its current supply chain and doesn't believe there is additional need for sourcing from other countries.

*Congo Future:* This company was established in the last decade and is growing fast. The company is a major importer dealing in many commodities, including meat. However, they did not express interest in new sources.

*Somsimex:* Sosimex is another player in the field of import and distribution. It imports meat and distributes through supermarkets and other sources. They were not willing to give detailed information, but affirmed that there is sufficient market for beef provided the quality is good and price is low. This is a common statement by all respondents.

*Groupe Ledy:* This company imports about 1000 tons of frozen meat per month, mainly fish and chicken and only 5% beef (buffalo) from India, Brazil and Argentina. The company's Commercial Manager said that interrupting an existing supply chain and starting new relationship is too expensive. He said they serve the bottom of the pyramid which cannot afford beef. They make only 10% markup on imported meat.

*Distribution Channels:* There are multiple of distribution channels in Kinshasa. The EMA team visited four supermarkets and one open market. All of them are supplied by the major distributors

above with some, also provisioning from door to door suppliers of either imported or local meat. Those visited were:

- Grand Marché
- Shoprite
- Kin Mart
- Supermarché Keepi
- Kin Store
- Pelou store

*Grand Marché:* Grand Marché is a large open market owned by the Kinshasa city administration. Practically everything is sold in this market including meat and leather products. The meat market is mainly dominated by fish, whereas fresh beef is sold in only small quantities. The meat sellers get their supplies from local distributors or buy animals and have them slaughtered in the abattoirs.

*Shoprite:* Shoprite is a large supermarket, opened by a South African firm in 2012 and has become quickly popular. The supermarket serves primarily high income consumers. The supermarket has three main divisions, including meat, vegetable and groceries. The vegetable division started to import from an Ethiopian private vegetable producer and exporter named Jittu PLC, but could not continue due to space problems on passenger jets of Ethiopian Airlines. The meat division gets 60% of its supply from local sources with individual suppliers and also imports two tons per week from South Africa. The division expressed an interest in testing Ethiopian meat in the market; the respondents said they would like to have detailed information on the price and quality of meat Ethiopia is producing. They have a plan to open two new branches in the near future.

Date	Description of discussion session (FGD, individual interview, other)	Respondent/s	Contact Details
17.02.13	Travel to DRC, Kinshasa and touched base with Ethiopian Airlines Area office	Mr. Dereje (Station Manager) Mr. D. Ngoyi Bienzenza (Sales Manager)	<a href="mailto:derejed@ethiopianairlines.com">derejed@ethiopianairlines.com</a> mob. +243 (0)81 700 6589
18.02.13	Price observation, interview and FGD	Pelou Store, Communications Manager and Meat supplier	NA
	Interview and observation	Owner Supermarché Keepi	NA
	Interview and observation	Mrs. (Boutique owner not disclosed)	NA
	Price observation	Kin Store	NA
19.02.13		Dr. Symphorien Kasindi Yimba, Director Vet. Services, Ministry of Agriculture	+243 (0) 9999 15482 <a href="mailto:kasympho@yahoo.fr">kasympho@yahoo.fr</a>
	FGD with two experts from Bio-Economy Africa	Dr. Hailu and Dr. Serge Mpiana, Vet. Central Lab. Foacl Point for MOA/PATEC	+243 (0) 81 497 4040 +243 (0) 89 899 2480
	Congo Future HQ Interview	Mr. Joseph Kevin Bitema	Marketing and Sales Head
20.02.13	FGD with Grand Marché Administration Technical Director and Meat Division Head	Mr. Dopili Lewanga Andre Moise	+243 (0) 82 202 2212 <a href="mailto:bopilimoise@yahoo.fr">bopilimoise@yahoo.fr</a>
	Interview	Congo Future Food Division Mr. Eric	
	Interview	Wael Issaoui, Commercial Director, SOCIMEX	+243 (0) 89 894 9513 <a href="mailto:wissaoui@socimex.net">wissaoui@socimex.net</a>
21.02.13	Interview	Mr. Ali Mnau Mamina, Executive Assistant to the CEO	+243 (0) 97 082 3537 <a href="mailto:alimamina@groupe-ledya.com">alimamina@groupe-ledya.com</a>
	Interview & FGD	Mr. Vaibhav Vashisht, SOCO FRAIS SPRL, Director General and meat division staff	+243 (0) 99 415 2760 <a href="mailto:Vaibhav_rules@yahoo.com">Vaibhav_rules@yahoo.com</a>
	Interview	Mr. Sam Amisi Idi, Director for Eco. Promotion Dept., Federation Des Entreprises (FEC)	+243(0)999 907 226 <a href="mailto:idiamisi@hotmail.com">idiamisi@hotmail.com</a>
	Interview and FGD	Mr. Denis, Customs	

## ANNEX 5: ITALY SUMMARY MARKET ANALYSIS OF LIVESTOCK PRODUCTS

### TRADE DATA

**Table 23: Italy Trade Data for Meat (HS 02), 2011<sup>46</sup>**

Meat				
	Import		Export	
	Market	Value	Market	Value
<b>TOTAL</b>	<b>World</b>	<b>\$4,323,178,141</b>	<b>World</b>	<b>\$5,354,780,158</b>
1	France	\$484,876,992	China, Hong Kong SAR	\$613,316,792
2	Brazil	\$467,652,335	Romania	\$508,730,123
3	USA	\$301,277,647	China	\$465,740,585
4	Spain	\$194,390,211	Germany	\$383,702,229
5	Nigeria	\$188,250,032	Spain	\$372,733,875
6	India	\$183,933,233	France	\$309,867,603
7	United Kingdom	\$171,745,969	Portugal	\$221,121,328
8	New Zealand	\$171,409,334	Poland	\$201,142,777
9	Germany	\$165,085,043	Tunisia	\$180,278,288
10	Netherlands	\$136,772,517	USA	\$171,618,313

<sup>46</sup> UN Comtrade

**Table 24: Italy Trade Data for Hides, Skins and Leather (HS 41), 2011**

<b>Hides, Skins &amp; Leather</b>				
	<b>Import</b>		<b>Export</b>	
	<b>Market</b>	<b>Value</b>	<b>Market</b>	<b>Value</b>
<b>TOTAL</b>	<b>World</b>	<b>\$ 4,323,178,141</b>	<b>World</b>	<b>\$5,354,780,158</b>
1	France	\$ 484,876,992	China, Hong Kong SAR	\$613,316,792
2	Brazil	\$ 467,652,335	Romania	\$508,730,123
3	USA	\$ 301,277,647	China	\$465,740,585
4	Spain	\$ 194,390,211	Germany	\$383,702,229
5	Nigeria	\$ 188,250,032	Spain	\$372,733,875
6	India	\$ 183,933,233	France	\$309,867,603
7	United Kingdom	\$ 171,745,969	Portugal	\$221,121,328
8	New Zealand	\$ 171,409,334	Poland	\$201,142,777
9	Germany	\$ 165,085,043	Tunisia	\$180,278,288
10	Netherlands	\$ 136,772,517	USA	\$171,618,313



**Table 25: Italy Trade Data for Leather Products (HS 42), 2011**

<b>Leather Products</b>				
	<b>Import</b>		<b>Export</b>	
	<b>Market</b>	<b>Value</b>	<b>Market</b>	<b>Value</b>
<b>TOTAL</b>	<b>World</b>	<b>\$3,238,351,371</b>	<b>World</b>	<b>\$6,843,602,625</b>
1	China	\$1,375,975,181	Switzerland	\$1,358,309,239
2	France	\$545,463,403	France	\$952,046,760
3	India	\$167,240,344	USA	\$563,651,431
4	Switzerland	\$140,224,868	Japan	\$490,620,255
5	Romania	\$123,353,632	China, Hong Kong SAR	\$473,267,345
6	Turkey	\$110,014,139	Germany	\$408,738,737
7	Germany	\$102,531,558	United Kingdom	\$377,154,227
8	Belgium	\$98,281,391	Rep. of Korea	\$329,065,303
9	United Kingdom	\$84,944,966	Spain	\$209,618,727
10	Netherlands	\$57,595,205	Russian Federation	\$196,113,184

## EXPORT HISTORY

Italy is one of the leading countries in the world of fashion design in leather apparel. With its state-of-the-art tanning sector, innovative designs, as well as high quality, branded products known around the world Italy has become the first name in leather manufacturing. Italy accounts for 60% of Europe's processed leather production and approximately 15% of the all processed leather production in the world<sup>47</sup>. According to leather industry trade resources Italian leather production and service companies employ over 17,000<sup>48</sup> people throughout the country. They are part of an industry that generates annual sales of about USD 5.2 billion<sup>49</sup>. Italians have long considered themselves as the world leader in design, quality, environment friendly products with the capacity to develop innovative products.

Italy leather sector has faced a number of challenges in recent years, however, as the economic crises and rabid competition have eroded its leadership. Competition from China, Indonesia and Hong Kong has been intense and the valuation fluctuations in the Euro have introduced a level of revenue uncertainty in its exports business. In this climate of crisis and uncertainty, Ethiopia has become an

<sup>47</sup> International Journal of Economics and Management Sciences, 2011

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

important source of finished leather. It is potentially an important source of finished leather products for the Italian and European markets.

## MARKET SIZE AND TRENDS

Ethiopia imports raw materials (finished leather and accessories) from Italy to incorporate into its leather product manufacturing and often re-exports finished products back to Italy. Though the potential for growth is high, a number of challenges exist, particularly with respect to quality control, manufacturing management and techniques, and governmental regulations and customs procedures.

Ethiopia's exports represent 0.38% of world exports for hides, skins and leather (HS 41), ranking 41<sup>st</sup>. The world's top exporters are listed in the table below.

**Table 26: World Totals and Leading Exporting Countries for Hides, Skins, and Leather<sup>50</sup>**

Importers	Exported value in 2007	Exported value in 2008	Exported value in 2009	Exported value in 2010	Exported value in 2011
World	93,394	90,960	42,769	67,199	122,713
Italy	38,808	34,312	10,477	11,701	39,439
China	12,237	14,647	7,935	15,564	27,491
India	6,307	5,422	4,261	10,629	16,851
Hong Kong, China	4,114	5,407	2,022	5,460	15,089
United Kingdom	14,890	11,214	11,987	12,409	11,718

Ethiopia maintains a competitive advantage in price, though their competitive edge has wane as a result of increasing leather prices.

## KEY MARKET SUCCESS FACTORS AND ETHIOPIA'S PERFORMANCE

Italian buyers and manufacturers interviewed during the market research visit indicated that the Ethiopian sheep leather is some of the finest in the world. The key characteristics of the leather include its supple feel perfect for gloves and high quality, fashion bags and purses. It is also a very strong leather, which means that it can be used for making fashion shoes and other products that require a strong outer shell.

Ethiopia has been known to take up to five months to deliver an order to the Italian buyer from the time the order is placed until it reaches the buyer's warehouse. In a fashion-driven industry, this is unacceptable and has limited opportunities for Ethiopian producers to gain much of a share of the Italian and EU markets.

<sup>50</sup> Global Trade Statistics, November 2012

## COMPETITION

Ethiopian shoe production is competitive in the Italian and European markets. Bangladesh is Ethiopia's main competitor, particularly for the *classic black men's shoes*. Ethiopia can produce this shoe for around €10 ex-factory, which is comparable to what the shoe costs in Bangladesh, but Ethiopia is closer to Italy and the EU, which Italian buyers stated was a significant advantage. Several Italian buyers stated that given the large livestock and leather industries in Ethiopia and the proximity to the European market, Ethiopia could be the "future source" for shoes destined for the European market.

## LOGISTICS

Most goods are now cleared through the dry port in Addis Ababa. Previously these goods were cleared through Djibouti. As Djibouti has lost revenue as a result of this change, some have accused the port of causing delays. From the port in Ethiopia/Djibouti it can take 10 to 15 days for goods to be loaded on a ship and sent onward to their destination. Lengthy delays can mean increased expenses incurred by exporters.

The cost to ship a 20 foot container of accessories and components from Genoa to Djibouti by ship and then to Addis Ababa by truck is €1,600 and takes three weeks to reach the port in Djibouti. The total cost to ship a 20 foot container that holds 3,000 pairs of shoes from Addis Ababa to Genoa will be in the range of € 1,800 – 2,000.

Both importing and exporting require lengthy governmental processes. It takes a letter of credit and one month to get a license to import raw materials into Ethiopia. The letter of credit is necessary because the government of Ethiopia only grants import licenses with sufficient foreign exchange. For goods imported through Djibouti, the Government of Ethiopia requires transportation of containers from Djibouti to the Ethiopia dry port via Ethiopia Shipping Lines (ESL), a government-run and owned company that is notorious for delays taking months arrive from Djibouti.

### **Examples:**

**Italian exporter:** An Italian exporter of accessories and components for the leather products industry sent a shipment of accessories in July 2012 that left Genoa; it did not reach Addis Ababa until October. This caused an Ethiopian shoe producer to lose an order because the shoes were actually supposed to be in Italy by September! There have been other orders from Italy that were canceled due to logistics problems out of Ethiopia.

**Italian producer based in Ethiopia:** Geox tried operating in Ethiopia but did not succeed due to the delays in clearing and customs and issues with foreign exchange. This is a major problem, because a company like Geox would have been a major development for the Ethiopian leather and shoe industry.

## OPPORTUNITIES

Italian buyers have been cautious about buying products that are considered to be high fashion due to the need for swift delivery and uncompromising quality. Italian buyers believe that Ethiopia can enter this market, but a number of factors need to come together, including shorter lead time from order to delivery; and better a organized manufacturing process. One group in Italy, Consorzio Toscana Shoe Components, has recently decided to procure £5 million in garment and leather products from Ethiopia including women's shoes targeting the EU and US markets. Consorzio Toscana is meeting with several companies and planning to finalize the deal in the spring of 2013.

**MARKET ACTORS/CONTACTS**

Name of companies or Associations	Contact person	Position	Address
Krinas S.r.l. – Input provider for finished leather and shoe components	Gianni. Zoppitelli	Managing Director	Via Lucio Colli , 14 27029 Vigevano PV, Italy Tel: 335 66 36 845.
La Nuova Adelchi S.p.a. – Shoe producer and importer	Sr. Adelchi	Director	Via Provinciale Montesano Tricase 73039 Tricase (Le) Italy Telephone:+39 833.5261
Pamacom, s. r. l.	Stefano Paissoni,	Director	Piazza A. Moro 52 24050 Grassobbio (Bergamo) – Italy tel +39 035 4522223
Consortio Toscana - Consortium of 20 Shoe and the Leather Producers in the Tuscany region. Met with five additional members of the consortium (leather importers, shoe and apparel manufacturers), in and around Pistoia and over lunch	. Federico Bechini, Consorzio Toscana Shoe	Director	Components Via Tevere, 13 – 51018 – Pieve a Fievole (Pistoia – 30 minutes far from Florence by car) Office tel.: +39 0572 954349
Pellami Macchini– Leather buying and machine servicing	Enrico Macchini,	Managing Director	Via Della Repubblica 136 Pieve A Nievole Via Francesca 109 Monsummano Terme Pistoia- 51015 Italy Tel. +39 0572 950 888 / 335 688 1820
Studio 99 Srl – buyer and distributor of leather and leather products	Gianni Samuele	Director	Via Sandro Pertini SCN 63812 Montegranro, Italy Office +39 0734 893530

## ANNEX 6: KENYA SUMMARY MARKET ANALYSIS OF LIVESTOCK PRODUCTS

### IMPORT RANKINGS

**Table 27: Kenya Trade Data for Hides, Skins and Leather (HS 41), 2011<sup>51</sup>**

<b>Hides, Skins &amp; Leather</b>				
	<b>Import</b>		<b>Export</b>	
	<b>Market</b>	<b>Value</b>	<b>Market</b>	<b>Value</b>
<b>TOTAL</b>	<b>World</b>	<b>\$10,482,000</b>	<b>World</b>	<b>\$83,404,000</b>
1	Burundi	\$3,752,000	Italy	\$17,992,000
2	Rwanda	\$3,511,000	Hong Kong, China	\$17,473,000
3	Uganda	\$2,263,000	Switzerland	\$15,715,000
4	New Zealand	\$348,000	India	\$9,226,000
5	United Republic of Tanzania	\$306,000	China	\$7,121,000
6	Malawi	\$133,000	Indonesia	\$3,513,000
7	United Arab Emirates	\$78,000	Pakistan	\$3,019,000
8	Sudan	\$39,000	Turkey	\$2,697,000
9	Democratic Republic of the Congo	\$21,000	Australia	\$1,874,000
10	India	\$12,000	Spain	\$1,545,000

**Table 28: Kenya Trade Data for Leather Products (HS 42), 2011**

<b>Leather Products</b>				
	<b>Import</b>		<b>Export</b>	
	<b>Market</b>	<b>Value</b>	<b>Market</b>	<b>Value</b>
<b>TOTAL</b>	<b>World</b>	<b>\$12,433,000</b>	<b>World</b>	<b>\$1,967,000</b>
1	China	\$8,648,000	United States of America	\$248,000
2	United Arab Emirates	\$1,312,000	Uganda	\$244,000
3	South Africa	\$718,000	Sudan	\$226,000
4	India	\$352,000	Ship stores and bunkers	\$224,000

<sup>51</sup> UN Comtrade

Leather Products				
5	United Kingdom	\$210,000	United Kingdom	\$217,000
6	France	\$180,000	Eritrea	\$211,000
7	Chinese Taipei	\$146,000	United Republic of Tanzania	\$211,000
8	Hong Kong, China	\$127,000	Democratic Republic of the Congo	\$50,000
9	United States of America	\$122,000	Rwanda	\$44,000
10	Pakistan	\$114,000	Area Nes	\$35,000

## EXPORT HISTORY

Kenya and Ethiopia have positive commercial and political ties, and recent years have seen been marked by increased commercial and trade cooperation. Most notably, the Joint Ministerial and Border Commission meetings have provided opportunities to exchange views on issues of common concern. Ethiopian and Kenyan governments have signed Special Status Agreement which laid the framework for increased trade between the two countries. Ethiopia and Kenya have embarked upon a number of joint development programs in road construction, commerce and trade and other areas. Ethiopia has been exploring the possibility of using Mombasa as a port, and there are discussions about creating a new port at Lamu and rail links with other areas.

Despite the constructive relationship, there has been very little trade in leather and leather products between Ethiopia and Kenya. To date, existing exports have been limited to a small SME export sector, exports by individuals, and raw hides and skins slipping through the border illegally.

## MARKET SIZE AND TRENDS

Kenya has 14 million cattle, 10 million sheep and 12 million goats. This livestock resource base is capable of producing adequate hides and skins for a vibrant leather industry. However, due to poor animal husbandry, poor recovery of hides and skins and low off-take rates, the potential output is not fully realized. Considerable number of hides and skins do not enter the market, and hides and skins are generally of low quality due to defects.

Kenya's hides, skins and leather industry contributes 1.5 per cent of the country's overall GDP. Value addition in the sector has been minimal until recently, as most of Kenya's exports have been raw hides and skins. The Kenyan tanning sub-sector peaked around the year 2000 with 21 tanneries with an installed capacity of 3.5 million hides and 11.6 million skins. This changed after the abolition of the government's 'export compensation' scheme, which was intended to encourage the industry, and market liberalization, through the cutting of Kenya's trade tariffs on imported leather and footwear. These changes provoked a surge in cheap imports, and half of Kenya's tanneries went out of business. By 2004/05, 80% of the hides and skins produced were being exported in their raw form.

A major change came in June 2006, when the government raised the export tax payable on raw hides and skins to 20 per cent and the following June, doubled it to 40 per cent, aiming to encourage the leather processing industry. Currently, there are 12 operational tanneries with an installed capacity of 1.5 million hides and 3.6 million skins, primarily located in Nairobi and its environs. Tanneries

mainly produce semi-processed leather (80%) for the export market and only finish small portions (20%) to supply leather shoe and leather goods companies.

There is some, but limited, specialization in the Kenyan leather goods industry. The sector consists of 10-15 footwear manufacturers and 18 leather goods manufacturers plus over 60 SMEs. According to the information from the Kenya Development Leather Council, Kenya has an annual demand of 34 million shoes, but only 4 million, about 8.5%, are supplied by the local shoe manufacturers. The gap between the local demand for shoes and local production has been met with cheap imported shoes from Asia (mostly China). Ethiopia, shoe exports have been successful in this market as well. Kenya has a large and growing population that is rapidly urbanizing, and as such, demand for leather products will have been and will continue to increase.

## KEY MARKET SUCCESS FACTORS AND ETHIOPIA'S PERFORMANCE

Anecdotal evidence suggests that domestic Kenyan tanneries are not meeting the standards or quantities required by Kenyan leather goods producers. This is confirmed by studies of the Kenyan value chain which document that the industry's finished leather is not competitive on price or quality. Ethiopia has a well developed tanning industry that can produce good quality finished leather compared to the Kenyan tanning industry. Tanneries in Ethiopia have been consistently producing finished leather, mostly from cow-hide, for local shoe companies. Currently, there are at least ten tanneries that have good finishing capacities to process cow-hide into finished. Tanneries in Ethiopia can also produce a wide range of shoe upper leather at competitive prices.

The lower income segment of the Kenyan market is currently served by inexpensive imported shoes, some of which are synthetic and last for only weeks in Kenya's hot weather. Second-hand shoes are very common as well.

Generally there is a very good perception of Ethiopian leather and leather products among Kenyans. Most people in Kenya believe that leather shoes and leather goods from Ethiopia are made from genuine leather and sell at an affordable price.

Ethiopia is currently exporting to Kenya with some success. The majority of shoes exported from Ethiopia to Kenya come from small shoe manufacturers located in the Merkato cluster. Ethiopia's Tikur Abaye Shoe Share Company has many years of experience in the production and export of military shoes and has recently installed a modern injection mould machine that can produce high quality safety shoes. Kenya offers a large market for safety and workmen's shoes.

## COMPETITION

The gap between the local demand for shoes and local production means that local production in both finished leather and leather goods would not constitute primary competition for Ethiopian exports. Rather, Ethiopian finished leather and leather goods sectors would compete with other exporters to Kenya, notably China.

## LOGISTICS

Goods can be transported between Ethiopia and Kenya by air, sea and road. Road transport is the least expensive. Addis Ababa and Nairobi are approximately 1500 km apart. There is an asphalt road from Addis Ababa to the Ethiopian-Kenyan border town of Moyale; the gravel road from Nairobi to Moyale will be upgraded within the next two years.

Ethiopia's primary sea access is Djibouti port for bulk imports and exports. Djibouti port is about 980 km from Addis Ababa; sea transport is therefore not attractive in comparison to road transport.

Moreover, the volume of trade in leather between the two countries has not yet reached levels to fill shipping containers.

Air transport could be an option for high value, low volume and low weight products such as leather jackets, ladies' hand bags and finished skins leather. Ethiopia Airlines and Kenyan Airways have daily flight between Addis Ababa and Nairobi.

## OPPORTUNITIES

The current status of Kenya leather industry provides opportunity for Ethiopian tanneries to export finished leather to Kenya for footwear and other leather goods manufacturers. As noted above, Ethiopian tanneries are in a position satisfy the quality of leather demanded by the Kenyan footwear and other leather goods industry at competitive prices.

A second major opportunity is for Ethiopian leather goods manufactures to expand market share, particularly in low cost shoes. As noted above, the large gap between local production and demand is currently being satisfied other exporters, which often provide products of limited quality. Ethiopian SMEs have already had some success in this area. Small scale shoe enterprises that are clustered in Merkato area have flexible and cost effective production systems that can meet the requirement certain segment of the Kenyan shoe market. The small shoe enterprises can produce fashionable men's shoes by copying, in small orders and can make fast deliveries at competitive prices. The majority of shoe exports to Kenya comes from this source. Some of these enterprises are upgrading their facilities to meet increased demand for the local and new export market in Kenya.

The Kenyan market could also provide an opportunity to diversify shoe and leather products. Ethiopian manufacturers could target high quality shoes for the growing middle class, safety and school uniforms shoes (with which Ethiopian manufacturers already have experience), and leather sandals suitable for the hot climate. The industry could also expand into leather garments, wallets, belts, ladies hand bags, document cases and shoe components.



**MARKET ACTORS/CONTACTS**

Name of companies or Associations	Contact person	Position	Address	Notes
Brasbuckle Ltd – Leather Goods Manufacturer	Bedan Kimeria Muraya	Managing Director	Ongata Rongai 254-722-391 902 brasbuckle@yahoo.com	Brasbuckle was established 4 years ago as a small but manufacturing company to take care of emerging but market in Nairobi city. Currently our labor force is six persons operating a highly mechanized production line with a turnover of about USD 200,000 per annum.
Abdulwadood Tanners Ltd	Jamal Abdulwadood	Managing Director	Lunga Lunga Road, Industrial Area Nairobi 254-20-650075/76 <a href="mailto:awt@kenyaweb.com">awt@kenyaweb.com</a>	The company was formed over 50 years ago and has been trading in East African Hides and Skins over this period
AFSO Exporters Ltd	Fatma Saleh Abdalla	Director	Lunga Lunga Road, Industrial Area Nairobi 254-722-700 690 <a href="mailto:baabad@afsoexportersltd.com">baabad@afsoexportersltd.com</a>	
Crown Industries Ltd	Vijay	Manager	Hema House, Enterprise Road Nairobi 254-20-536876/77 <a href="mailto:sales@crowindustries.org">sales@crowindustries.org</a>	We are manufacturers of more than 60 designs of different soles for leather shoes. We make PVC shoes/footwear for ladies, gents and children.
Dog Bones Ltd	Ashwin Punja	Director	Nanyuki Road Nairobi 254-20-652009 ashwin@dogs-b.com	Company formed 2001. Involved in contract tanning of hides and skins into wet blue for exporters. Also vegetable tanning and finished leather for the local market. Employ 25 fulltime and casuals. Also do gloves. Turnover approximately Kshs 20,000,000 in last year.
Merit Marketing Services	Samuel Njoroge Mwangi	Managing Director	Nairobi 254-20-892099 merrit21@yahoo.com	Merit Marketing started in 1993. We're manufacturers of Leather, Rexine (PVC), CANVAS AND KIKOI PRODUCTS. We started doing business with shops

Name of companies or Associations	Contact person	Position	Address	Notes
				<p>and later included companies. The biggest business we have done is to make products for conferences. We have done business with Kenyan companies, NGO's and the Government of Kenya. The Company has eight workers and in case of a big order / business we do employ a total of about 25 workers some on contract basis. Our annual turnover is about 500,00 KSh.</p>

## ANNEX 7: TURKEY SUMMARY MARKET ANALYSIS OF LIVESTOCK PRODUCTS

### TRADE DATA

**Table 29:** Turkey Trade Data for Hides, Skins and Leather (HS 42), 2011<sup>52</sup>

<b>Hides, Skins &amp; Leather</b>				
	<b>Import</b>		<b>Export</b>	
	<b>Market</b>	<b>Value</b>	<b>Market</b>	<b>Value</b>
<b>TOTAL</b>	<b>World</b>	<b>\$722,179,029</b>	<b>World</b>	<b>\$138,614,349</b>
1	Italy	\$113,282,157	China	\$28,380,957
2	Spain	\$94,687,851	China, Hong Kong SAR	\$22,201,838
3	Free Zones	\$52,931,029	Free Zones	\$11,851,156
4	Greece	\$36,844,754	France	\$10,631,368
5	USA	\$28,390,165	Ukraine	\$8,691,463
6	France	\$27,681,492	Russian Federation	\$8,054,756
7	India	\$23,121,153	Germany	\$5,712,206
8	Pakistan	\$22,761,364	Italy	\$5,428,056
9	United Kingdom	\$20,405,505	Belarus	\$4,189,812
10	Iran	\$18,432,490	Bulgaria	\$4,144,922

<sup>52</sup> UN Comtrade

**Table 30: Turkey Trade Data for Leather Products (HS 42) 2011**

Leather Products				
	Import		Export	
	Market	Value	Market	Value
<b>TOTAL</b>	<b>World</b>	<b>\$479,333,728</b>	<b>World</b>	<b>\$419,901,553</b>
1	China	\$271,770,579	Italy	\$91,568,753
2	Pakistan	\$56,286,091	Germany	\$59,637,171
3	Italy	\$54,656,186	Russian Federation	\$47,869,368
4	France	\$21,135,670	United Kingdom	\$42,975,845
5	India	\$20,168,710	France	\$30,913,766
6	Germany	\$8,796,455	Spain	\$20,375,530
7	Viet Nam	\$7,591,302	Denmark	\$15,497,253
8	Spain	\$7,279,520	USA	\$10,498,760
9	Indonesia	\$4,465,314	Austria	\$9,617,260
10	Customs Free Zones	\$2,785,633	Netherlands	\$9,513,420

## EXPORT HISTORY

Economic and commercial ties between Turkey and Ethiopia are positive, and have developed substantially in recent years. Bilateral trade volume tripled between 2004 and 2011, reaching USD 317 million. In 2011, Turkey exported USD 275 million in goods to Ethiopia, up by 57% from 2010. The top three Turkish exports were iron and steel, machinery and plastics. Ethiopia exported to Turkey USD 4.7 million in 2011, up 1.9% from 2010; the primary categories were textile yarn and fabrics, oil-seeds, vegetables and fruits. Turkish companies have been very active in Ethiopia and since 2003 Turkish firms have invested USD1.3 billion in the country.<sup>53</sup>

Despite these ties, Turkey has not been a major export market for Ethiopia's leather and leather products (when compared with Italy or England, for example). There has been some export of semi-processed skins in recent years to tanneries in Turkey, which were further processing the skins into finished leather and supplying it to the Turkish leather products industry. However, a 2009 tax by the Ethiopian government on semi-processed hides and skins has halted this trade. Turkish tanneries continue to be interested in semi-processed skins from Ethiopia.

## MARKET SIZE AND TRENDS

The Turkish leather industry is one of the biggest leather producers in the world. For sheep and goat leather production, Turkey is the 4<sup>th</sup> largest producer in the world after Italy, China and India. Turkey produces the most double face sheepskin leather in the world, at 80 million pieces per year. The quality of Turkish leather garments and leather products rivals that of Italy.

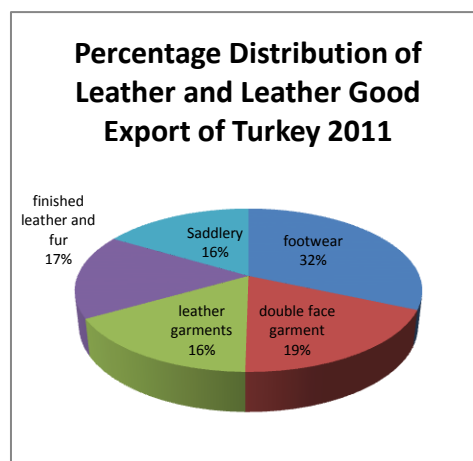
<sup>53</sup> Data from Turkish Ministry of Economy.

The Turkish leather products industry is robust, particularly in manufacturing high quality leather products. There are 13 Industrial Leather Zones in Turkey, in which companies use modern technology and produce environmentally friendly, high quality products. There are more than 3000 companies in Turkey that deal with export of leather and leather products, and the sector employs more than 25,000 workers. Istanbul is the most important trade centre for the Turkish leather industry and there are about 600 leather shops operating in the city. Moreover, the leather industry is one of the most significant industries within the Turkish economy, accounting for 1% of the manufacturing sector's output, 1.7% of the sector's workforce, 1% of total Turkish export earnings.

Turkey has a large population and a rapidly growing economy, suggesting a growing retail market. The total population of Turkey was 73,722,988 in 2010. Turkey has the highest economic growth rate in Europe; according to the IMF, the Turkish economy is expected to grow by 3.5% in 2013. GDP per capita has tripled in the last ten years from USD 3,492 to USD 10,444.

Turkey's leather and leather goods import is comprised of footwear (40%), raw hides/skins (18.8%), finished leather and fur (18.4%), leather goods (18.1%); leather garments (3.9%) and ready wear of fur skins (0.8%). Exports included footwear (31%), double face garments (19%), leather garments (16%), leather goods (16%); raw hides/skins and finished leather together (16%).

Turkish leather exports have been heavily directed to five main European markets in 2011. The major market destinations for Turkish leather and leather goods in 2011 were Russia (21.2 %), Italy (9.7 %), Germany (8.8 %), France (6.3 %) and UK (4.6 %). The total share of these five biggest markets for leather export accounts for 50.6 % of total leather exports.



## KEY MARKET SUCCESS FACTORS AND ETHIOPIA'S PERFORMANCE

The Turkish leather industry has high quality and price competitiveness requirements which Ethiopia has generally been unable to meet.

The Turkish footwear industry uses high quality finished leather from domestic sources and from imports to produce high quality fashionable leather shoes to the world market. The high quality requirement of the Turkish footwear industry presents little opportunity for Ethiopian tanneries to supply. Those areas include the finished lining leather for shoes, which Ethiopian tanneries could provide at a competitive price, and suede uppers. While Ethiopia is well known for its goat skins for suede uppers, sheep skins tend to not fit size and quality requirements. Price competitiveness is an issue for Ethiopia in exporting uppers as well.

The Turkish garment industry is the leading sector in the leather industry and uses very high quality finished leather to produce fashionable, very high quality, expensive leather garments. Although, the Ethiopian hair-sheep skin has the fine grain structure that makes it suitable for garment production, the sheep Napa leather currently produced from Ethiopian skins is far below the quality and size requirements of the Turkish garment industry.

Turkey has not yet fully developed its glove industry and does not demand huge quantities of gloving leather, which Ethiopian tanners could supply in the required quality and quantity.

The Turkish leather industry also has very strict delivery requirements. While tanners of semi-processed skins can tolerate delay, the finished leather industry cannot.

Business relationships in the leather and leather products industry are developed over a long period of time. Typically buyers first request samples; if they accept the samples they place small sample orders and gradually increase their order size over a period of time. Buyers place large commercial orders only when they are sure about quality and consistency of supplies from their suppliers.

## COMPETITION

The Turkish leather products industry obtains finished leather from Turkey's well-advanced domestic tanning industry, and also imports from world-known suppliers such as Italy, China, India, Pakistan, Spain, Vietnam and Indonesia. The Ethiopian leather industry has to compete on quality, price and delivery with these established sources for the Turkish industry to consider Ethiopia as an alternative source.

## LOGISTICS

Air and sea transport are the two most viable means to ship finished leather and leather products to Turkey. Initial orders of samples and samples orders are usually sent by air as they have to be supplied quickly. Commercial orders of small quantity are also air freighted, but large orders are typically shipped by sea.

Both Ethiopian and Turkish Airlines have daily flights to and from Istanbul and Addis Ababa. As Istanbul lies on major international sea line, sea transport is a viable option.

## OPPORTUNITIES

As the Turkish leather goods industry continues to grow, its demand for leather will increase, opening opportunities for alternative sources of finished leather to its traditional suppliers like Italy, China, India and Pakistan.

One opportunity would be to start by supplying products that are widely available in Ethiopia, do not require sophisticated manufacturing techniques, and has high demand on the Turkish market. Finished lining for shoes from cow, sheep and goat leather, as discussed above, is a prominent example. Ethiopian goat suede uppers also have a reasonable chance of success in the Turkish footwear industry.

The EMA team also found anecdotal evidence of interest in classic shoes for the lower income segment of the Turkish population, and fashion and working gloves.

MARKET ACTORS/CONTACTS

Name of companies or Associations	Contact person	Position	Address
Honorary Consulate of the Republic of Ethiopia	Ismail Hakki Kisacik	Honorary consul	Tel : +90212 446 4201 Fax: 90212 446 40 05 email:ismailkisacik@tahagroup.com Mahmutbey Merkez Mahallesi, Istanbul/Turkey
Turkish Exporters Assembly	Mehmet Akif Korkmaz	African Regional coordinator	<a href="tel:+90(212)4540385">Tel:+90(212)454 03 85</a> Fax:+90(212 )454 0413/83 e-mail: akifkorkmaz@tim.org.tr <a href="http://www.tim.org.tr">www.tim.org.tr</a> Yenibosna/Istanbul/turkey
Turkish industrialist Association	Onur Gorgun	Secretary General	<a href="tel:+90(216)3940740-41">Tel:+90(216) 394 07 40 -41</a> Fax: <a href="tel:+90(216)3940742">+90(216) 394 07 42</a> e-mail:tdsd@tdsd.org.tr <a href="http://www.tdsd.org.tr">www.tdsd.org.tr</a> 34957 Tusla- Istanbul/Turkey
Turkish industrialist Association	Guyen Karaca	Member of the board	<a href="tel:+90(216)3940740-41">Tel:+90(216) 394 07 40 -41</a> Fax: <a href="tel:+90(216)3940742">+90(216) 394 07 42</a> e-mail:tdsd@tdsd.org.tr <a href="http://www.tdsd.org.tr">www.tdsd.org.tr</a> 34957 Tusla- Istanbul/Turkey
Turkish Leather Garments Manufacturer's Association	Mehmet Ali Dinc	president	Tel : +90(212)665 27 47-582 55 11 Fax:+90(212)546 77 53 e-mail:tdkd@tdkd.org.tr <a href="http://www.tdkd.org.tr">www.tdkd.org.tr</a> Zeytinburnu, Istanbul/Turkey
Istanbul Leather and leather products Exporters' Association	Mehmet Ali Dinc	Member of Board	Tel : +90 212 454 02 00 Fax: :+90 212 454 02 01 e-mail:info@itkib.org.tr <a href="http://www.itkiib.org.tr">www.itkiib.org.tr</a> Istanbul/Turkey
TASD- Footwear Industrialist Association of Turkey	Huseyin Cetin	president	Tel : +90 212 549 71 71 Fax:+90 212 71 17 e-mail:info@tasd.com.tr <a href="http://www.tasd.com.tr">www.tasd.com.tr</a> Basaksehir, Istanbul/Turkey
Istanbul Textile and apparel Exporters' Association	Ahmet Sisman	R&D legislation Department	<a href="tel:(212)4540200">Tel:(212) 454 02 00</a> ext.1319 Fax:+90(212)454 0423 e-mail: <a href="mailto:ahmets@itkib.org.tr">ahmets@itkib.org.tr</a> <a href="http://www.itkib.org.tr">www.itkib.org.tr</a> Yenibosna /Istanbul/turkey

Name of companies or Associations	Contact person	Position	Address
TASD- Footwear Industrialist Association of Turkey	Suleyman GURSOY	Board member	Phone:+90 212 549 71 71 Fax:+90 212 71 17 e-mail:info@tasd.com.tr <a href="http://www.tasd.com.tr">www.tasd.com.tr</a> Basaksehir, Istanbul/Turkey
Ziylan Grup	Aykut Buyukekksi	Member of Board	Tel : +90(212)446 8989 Fax: +90(212)446 21 41 Email :abuyukeksi@ziylan.com.tr <a href="http://www.ziylan.com.tr">www.ziylan.com.tr</a> Mahmutbey Merkez Mahallesi, Istanbul/Turkey
Perre by Dogu Deri	Mehmet Ali Dinc	Owner/manager	Tel : +90 212 415 57 17/18 Fax:+90 212 510 27 36 e-mail:m.ali@doguder.com Zeytinburnu, Istanbul/Turkey
PICASSU-	Orhan Tasdemir	Owner and manager	Head office: Tel : (+90 212)511 85 46- 522 67 59 Fax: (+90 212) 522 3666 Mercan ,Istanbul/turkey Factory: Tel :: (+90 212) 691 08 57- 69108 56 Fax: (+90 212) 691 18 08 e-mail: <a href="mailto:info@picassu.com">info@picassu.com</a> <a href="http://www.picassu.com">www.picassu.com</a> Istanbul/turkey
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MOLYER	Ozcan Demir		<a href="tel:+902126715690">Tel:+90 212 671 56 90</a>  Fax : <a href="tel:+902126714138">+90 212 67141 38</a> e-mail:info@molyer.com <a href="http://www.molyer.com">www.molyer.com</a> Merkez/Istanbul



Name of companies or Associations	Contact person	Position	Address
Bilge Toka-Accessories and components manufacturer			Tel:(0332)346 0 346 Fax: (332) 346 1 346 Merkez/Istanbul
Deteks Kimya Sanayia.s.	Burc Uluc	Ithalat-ihracat departmani	Tel: 0(216) 394 02 40 Fax:0(216)394 09 65 e-mail :burculuc@deteks.com.tr <a href="http://www.deteks.com.tr">www.deteks.com.tr</a> Aydinli-Tusla-istanbul-Turkey
Mader – tanning corporation	Tugrul Matras		Tel: 0216 394 29 02 :0216 394 14 18 Fax: 0216 394 14 20 e-mail : <a href="mailto:tugrul@mader-tanning.com">tugrul@mader-tanning.com</a> F/2 parsel Tusla-Istanbul - Turkey

## ANNEX 8: UNITED ARAB EMIRATES SUMMARY MARKET ANALYSIS FOR LIVESTOCK PRODUCTS

### TRADE DATA

**Table 31: UAE Trade Data for Meat (HS 02), 2011<sup>54</sup>**

	Meat			
	Imports		Exports	
	Market	Value	Market	Value
<b>TOTAL</b>	<b>World</b>	<b>\$1,362,295,089</b>	<b>World</b>	<b>\$41,007,173</b>
1	Brazil	\$547,514,423	Oman	\$9,885,827
2	Australia	\$205,298,712	Iran	\$6,930,772
3	India	\$180,851,874	Qatar	\$5,750,936
4	USA	\$124,378,639	Jordan	\$2,364,236
5	Pakistan	\$57,232,536	Afghanistan	\$2,022,992
<b>6</b>	<b>Ethiopia</b>	<b>\$48,608,264</b>	<b>Kenya</b>	<b>\$1,847,278</b>
7	France	\$27,812,350	Brazil	\$1,638,075
8	New Zealand	\$27,208,461	Saudi Arabia	\$1,340,179
9	Oman	\$25,388,122	Kuwait	\$1,248,885
10	Saudi Arabia	\$19,838,052	Turkmenistan	\$1,212,732

**Table 32: UAE Trade Data for Live Animals (HS 01), 2011**

	Live Animals			
	Import		Export	
	Market	Value	Market	Value
<b>TOTAL</b>	<b>World</b>	<b>\$168,273,228</b>	<b>World</b>	<b>\$24,652,472</b>
1	Oman	\$58,979,171	Qatar	\$13,881,528
2	India	\$19,483,353	India	\$3,262,056
3	Somalia	\$17,129,368	Saudi Arabia	\$3,150,698
4	Australia	\$10,537,493	Oman	\$1,089,271
5	Iran	\$9,360,980	France	\$577,254
6	Netherlands	\$7,438,260	Bahrain	\$477,158
7	Saudi Arabia	\$6,702,508	Kuwait	\$340,888
38	United Kingdom	\$4,256,182	Afghanistan	\$307,764
9	Germany	\$4,209,324	Japan	\$205,638
10	Qatar	\$4,115,711	Iran	\$165,229

### EXPORT HISTORY

Hameria Trading was established in 1992 and began importing cattle from Ethiopia in 2003. The LMD team met with the firm's Managing Director, Mr. Ibrahim. Ethiopian livestock are well-known in the market.

<sup>54</sup> UN ComTrade

Ethiopian quarantines do not meet the UAE's livestock import requirements and as a result, livestock from Ethiopia are currently banned. Ethiopian animals still enter the UAE market, by first passing through additional quarantine in Djibouti or Somalia.

## MARKET SIZE AND TRENDS

UAE is a large importer of live sheep and goats, as well as meat. It imported 208,219 live sheep and 3,795 cattle in 2007. Though low in number, cattle imports are growing at a rapid rate. According to the Dubai Chamber of Commerce and Industry, between 2000 and 2004, Dubai imported USD 2.24 billion of livestock and livestock products.

UAE's appetite for meat has been steadily increasing over the past few years, increasing by 30% between 2008 and 2011. UAE imported over \$1 billion worth of meat in 2011, of which Brazil, Australia, USA and India supplied more than 77%. Unique to the UAE market is the substantially high proportion of foreigners; of its 3.1 million residents, about 75% are expatriates. The UAE also includes a sizable Ethiopian community.

The LMD team interviewed several firms importing Ethiopian meat. Alkarama Meat Trading usually imports 8-10 tons of meat each day from Ethiopia. Siam Trading and Reliance Trade both import 2-4 tons of meat per day from Ethiopia. Somali Blackhead sheep (25-35kg) and Boran cattle (220-350 kg) are especially in demand.

## KEY MARKET SUCCESS FACTORS AND ETHIOPIA'S PERFORMANCE

Unfortunately, UAE currently bans imports of live animals from Ethiopia due to quarantine procedures that they find to be unacceptable, but many animals imported from Djibouti and Somalia are of Ethiopian origin. Entering the market for live animals will require improving the quarantine conditions and achieving accreditation from the Dubai Municipality.

The quarantine regulation requires 15 days of quarantine before entry into UAE. Live sheep and goats are tested for Rift Valley Fever and Brucellosis. If disease is detected, then an additional 15 days of quarantine is required to look for clinical signs for suspected diseases (UAE EMA Report). The major causes of animal rejection in Dubai are *cysticercus bovis* in cattle and hydatidosis in small ruminants. At the quarantine in the port of Hamriya, cattle are vaccinated against FMD type A, O, C, SAT 1 and rinderpest, while shoats are directly taken to the market. Following the 2007 RVF outbreak in Kenya, the UAE imposed an import ban on Ethiopia for approximately six months (Farmer).

UAE live animal importers require a Letter of Credit (LC) to ensure reliability of imports. They would be comfortable with importing live animals every three months.

Halal certification is a major concern for this market and Ethiopian meat has a damaged reputation. Interviews with importers reveal that they know that Ethiopian export abattoirs are halal, but the perception among retail consumers is that they do not. As a result, Ethiopian meat is usually re-packaged as Indian, Pakistani or Somali. Middle and lower classes buy Ethiopian meat, which competes with meat from India, Pakistan, Kenya and Tanzania. There is some possibility of entering the high-end market in UAE with organic certification. This would place Ethiopian meat in competition with meat from Australia.

Other keys to success include repairing a damaged reputation among importers with respect to upholding promises and maintaining consistent quality levels. There are currently a number of importers of Ethiopian meat, some of which believe they have developed a good business relationship with Ethiopian meat suppliers. However, there are still concerns regarding lack of uniformity in supply—noting occurrences of hair, skin and fecal matter on imported carcasses—and escalating

prices, which have forced importers to lose Ethiopia’s market share to its competitors Kenya and Tanzania.

According to one importer, there is a substantial price difference at retail between Ethiopian meat and that from competitors like Somalia at retail outlets. Ethiopian meat sold at 28 AED (USD 7.60) per kg, whereas Somalia sells for 35 AED (USD 9.50). This is because people place more trust in the halal certification of Somali meat. Ethiopian meat is often re-packaged as Somali meat for this reason. Also, live sheep imported from Somalia and slaughtered in Dubai are fresher than Ethiopian meat, which has been transported. (Interview with Mr. Tenveer from Alsakar Livestock and Meat Trade)

Live Animals: Animals of Ethiopian origin fetch high prices relative to Pakistani and Somali cattle. Ethiopian cattle, especially Borena, are well known for their high quality.

## COMPETITION

Competition is steep for live animal and meat imports into the UAE. Major competitors for live animals are Somalia (sheep, cattle), India (sheep and goats), Iran, Kenya, and Australia (sheep). Competitors for meat are Brazil, Australia, USA, India, and Pakistan, though UAE importers regard Tanzania and Kenyan as close substitutes for Ethiopian meat. Kenya and Tanzania compete on low prices and high quality.

UAE importers regard Ethiopian meat as being of low quality due to the prevalence of hair, skin and fecal matter on carcasses. However, at the retail market, Ethiopian meat maintains a price premium, due to its tenderness and taste.

**Table 33: Live Animal Prices of Competitors in Dubai Livestock Market<sup>55</sup>**

Competitor countries	Size of Live Cattle	Price (USD)
Pakistan	Large	750
Somalia	Small	500
Somalia	Medium	550 - 580
Somalia	Large	750 - 780
Ethiopia	Large	850

<sup>55</sup> Interview with Hameria Trading Company, UAE, February 2013

## LOGISTICS

**Table 34: Beef Wholesale Prices of Competitors in UAE Markets<sup>56</sup>**

No	Competitor countries	Purchasing Price	Wholesale Price	Retail Price
1	Pakistan	4500 USD/ton	18-19AED/Kg= 4.5-5.5USD/KG	30 AED/KG
2	Indian	4500 USD/ton	18-19 AED/kg= 4.5-5.5USD/KG	30 AED/KG
3	Kenya	5200 USD/ton	18-22 AED/kg= 5-6USD/KG	28-30 AED/KG
4	Tanzania	5200 USD/tom	18-22 AED/kg= 5-6USD/KG	
5	Somalia			35 AED/KG
6	Ethiopia	5900 USD/ton	22-23 AED/kg= 6-6.5USD/KG	29-30 AED/KG

*Live Animals:* Ethiopian live animals must be quarantined in Djibouti for a minimum of 15 days before being exported to UAE. The feeding expenses incurred often make the animals uncompetitive.

*Meat:* Meat is typically flown to Dubai via Ethiopian Airlines or Emirates Airlines. Ethiopian Airlines is considered unreliable by importers, citing schedule changes and flight cancellations. Due to these problems, meat imports were shifted to Emirates Airlines. Other challenges for meat transport include lack of sufficient air space for Ethiopian mutton and goat meat, which become acute during the peak seasons of Ramadan and Arefa.

## OPPORTUNITIES

There is a huge and growing demand for meat in the UAE and Ethiopian livestock are well known in the market.

Further expansion into this market requires quality improvements, largely at the level of. Export abattoirs and laboratories should be approved by Dubai Municipality. Approval depends on the halal slaughtering procedure and the presence of a regional Islamic council.

The natural manner in which livestock are kept in Ethiopia creates a possibility for seeking organic certification of Ethiopian meat. This could garner a price premium and tap into a new market segment.

Another possibility is to market vacuum packed meat. Farm Fresh L.L.C and Federal Foods L.L.C. both expressed interest in procuring this product. This would be possible by establishing linkages with Abergelle and Ashraf Export abattoirs, both of which have good facilities for frozen and vacuum packed products.

<sup>56</sup> Interview with Mr. Tenveer from Alsakar Livestock and Meat Trade, UAE, February 2013

## MARKET ACTORS/CONTACTS

The contact information of importers and retailers consulted for this study are captured below.

Name	Organization	Title	Contact
Ibrahim	Hameria Trading Live animals Importer	Managing Director	00971556144569
Mr. Abdul Hammed Omer	Alkarama Meat Trading Meat Whole Seller	Managing Director	00971506539516
Mr. Jemmal	Siam Trading Meat Whole Seller	Managing Director	00971506244397
Mr. Ali Alansari	Reliance Trading Meat Whole Seller	Managing Director	00971508024051
Jaffer M.Salem	Merkato General Trading Meat Retailer	General Manager	00971507397577
Amir Tamimi	Rashid Al Jabri Meat Est. Meat Retailer	General Manager	00971502141206
Lankahir Sambahir	Lahore Meat Shop Meat Retailer	General Manager	00971502794608
Tenveer	Alsakar Livestock and Meat Retailer	General Manager	00971505863069
Firas Houssen Algeber	Farm Fresh L.L.C. New Potential Importers	Division Manager	00971506543372
Abdul Samad Ansari	Federal Foods New Potential Importers	Product Manger	00971508780969
Paul Murphy	Abbeyfield Fine Food Com. New Potential Importers	Managing Director	00971508495767

## ANNEX 9: CONTACTS FOR DAIRY DOMESTIC EMA

	<b>Name</b>	<b>Business Type</b>	<b>Date Of Contact</b>	<b>Address</b>	<b>Telephone</b>
1	Sebeta Agro Industry (Yohannes Belay - Farm Operation Manager)	Processor	6-2-2013	Sebeta	0911470035
2	Addis Ababa Trade & Industry Bureau	Government	6-2-2013	Addis Ababa	
3	Addis Ababa Urban Agriculture Office	Government	6-2-2013	Addis Ababa	
4	Ethiopian Meat and Dairy Technology Institute (Desalegn G/Medhin)	Government	7-2-2013	Debrezeit	091128937
5	Ato Getachew Worku	Producer	7-2-2013	Addis Ababa	0911225684
6	Awash dairy products enterprise (Tiku)	Producer	7-2-2013	Addis Ababa	0911613893
7	Alpha Dairy Fodder and Dairy Farm	Producer (Foreign origin)	9-2-2013	Debrezeit	0910279080
8	Timret Agro Industry Share Company (Dr Taffese Mesfin)	Processor	7-2-2013	Addis Ababa	0930012319
9	Holland Dairy (Tewodros Zewde - General Manager)	Processor (Foreign origin)	9-2-2013	Debrezeit	
10	Meskerem Solomon	Producer	9-2-2013	Debrezeit	
11	Amanuel Assefa	Researcher	6-2-2013	Addis Ababa	
12	Minilik Tesfaye (Prima Milk)	Processor/Producer	27-2-2013	Dire Dawa	0915750805
13	Yohanis Amare	Producer	27-2-2013	Dire Dawa	0915739540
14	Mohammed Yuya	Producer	4-3-2013	Dire Dawa	0915037219
15	Belete Alemayehu	Producer	4-3-2013	Dire Dawa	
16	Ambachew	Producer	17-2-2013	Bahir Dar	09187661
17	Aster Alemu	Producer	12-2-2013	Awassa	0916828192
18	Gizachew	Producer	13-2-2013	Awassa	
19	Seron Dairy Farm (Ato Tamrat)	Producer	13-2-2013	Awassa	0911739614

	<b>Name</b>	<b>Business Type</b>	<b>Date Of Contact</b>	<b>Address</b>	<b>Telephone</b>
20	SOS children's' village Hawassa branch (Ato Mohammed)	Producer	12-2-2013	Awassa	0916863411
21	Alemtsehay Wenjele	Producer	18-2-2013	Bahir Dar	0911883619
22	Misganaw Ashebir	Producer	18-2-2013	Bahir Dar	0918221702



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