

# INVEST IN ETHIOPIA

## AGRICULTURE: INVESTMENT OPPORTUNITIES



Agriculture is the mainstay of the Ethiopian economy and a major source of employment for about 80% of the population. The sector, among others, is focused on export-led development. It is also the most important foreign currency earner. Agriculture is open for foreign investment with a variety of packages of incentives available to both local and foreign investors. The sector is also a promising source of export diversification. With altitudes ranging from 148 metres below sea level to 4,620 metres above it, the country has 18 major and 49 sub agro-ecological zones, each with its own agricultural and biological potential. Thus the country possesses one of the largest and most diverse genetic resources in the world. Ethiopia has the soils and climate required for the production of a variety of food crops. Ethiopia has also more than 80 million hectares of arable land out of which 16% is under cultivation. Over all irrigation development potential is estimated at 3.7 million hectares of land while only 5-6% of this area is currently utilised. Irrigable large scale farms such as in the Rift Valley have big potential for the expansion of cash crops such as sugar, oil seeds and horticulture.

The major food crops grown are cereals, pulses and oil seeds. The country is endowed with vast resources of livestock, fishery and apiculture. A broad range of fruits, vegetables and cut flowers are fast-growing exports. Coffee, oil seeds, cotton, tobacco, sugar cane, tea and spices are the main commercial cash crops grown in Ethiopia.

### Agro-processing

Ethiopia has huge potential for investment in agro-processing. The sector encompasses strategic processing industries such as textile and garment, leather and apparel, food processing industries that are potentially high value-added export sectors. Agro-processing industries such as textile and leather have existed for more than 60 years while they have wide room for expansion and improvement. Through the development of agro-processing, Ethiopia's agricultural sector is expected to achieve rapid and sustained economic development for the long-term. Investors engaged in the agro-processing sector find encouraging incentives including abundant natural resources, cheap labour together with an attractive access to international markets. Export based agro-processing industries also enjoy loans extended by the relevant banks of Ethiopia.

**ETHIOPIA**  
TRADE & INVESTMENT

### Key agricultural sectors

#### Coffee



Ethiopia is one of the biggest producers of coffee in Africa, with a reputation for producing the world's finest Arabica coffee in the world. The word 'coffee' comes from the name of one of the many parts of Ethiopia where coffee is grown – Kaffa. Over 60% of Ethiopian coffee is produced as forest or semi-forest coffee. The soil of the forest floor is enriched from falling leaves, making fertilisers unnecessary. In these forests the high degree of genetic diversity has created a balance between pests and parasites, making chemical pesticides unnecessary. Coffee remains the most important foreign currency earner utilizing 600,000 hectares under cultivation mainly spread across the southern and south western highlands of the country. Investors interested in roasting and packaging of coffee for export purposes will be highly encouraged.

Ethiopia has gone a step further in creating due recognition and value to its premium coffee through a fairtrade initiative. Five major coffees, namely, Harrar; Sidamo, Yirgacheffe, Limu and Nekemte brands are now trademarked. In addition to creating value to the products, this initiative has ascertained that grassroot coffee farmers could get better value for their products.

#### Oil seeds and pulses



Ethiopian oil seeds and pulses are known for their flavour and nutritional value as they are mostly produced organically. The Ethiopian white sesame seed is used as a reference for grading in international markets. Ethiopia's major oil seeds and pulses exports include: sesame seeds, Niger seeds, linseeds, sunflower seeds, groundnuts, rape seeds, cotton seeds, castor oil seeds, pumpkin seeds, haricot beans, pea-beans, horse beans, chick peas, beans and lentils. The major markets for Ethiopia's oil seeds and pulses exports are: the Gulf States, the European Union, Asia and neighbouring African countries. Currently, there is a foreign investment surge in production of oil seeds and pulses which is encouraged under the investment code of Ethiopia.

#### Fruits, vegetables and flowers



With a favourable climate and abundant labour, land and water resources, most regions of the country are suitable for the production of a wide range of tropical and sub-tropical fruits, vegetables and flowers. The major vegetable export products include potatoes, green beans, okra, melon, white and red onions, shallots, cabbage, leeks, beetroot, carrots, green chillies, tomatoes and lettuce. The main exportable fruits include oranges, mandarins, grapefruit, mangos, guavas, lemons and limes. Cut flower and vegetable production are fast growing export businesses, and Ethiopia is a centre of diversity for a variety of flowering plants. The volume of export of these products is growing and showing great promise.

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### Livestock, apiculture and fishery



Ethiopia has the largest livestock production in Africa, and the tenth largest in the world, with 45.5 million cattle, 26 million sheep, 21.7 million goats and 32 million poultry. Its dairy farming, poultry, meat and live animal industries which are organically produced are attracting huge export demand in the neighbouring countries and Middle Eastern markets. The global demand for increased food production has stimulated investors coming from the Middle East, Asia and Europe to participate in this sector.

The current annual production of honey and beeswax of the country is estimated at 43,700 tonnes and 3,600 tonnes, respectively. This provides a high investment opportunity in all aspects of the development of this untapped sub-sector in the production, collection, processing and marketing of honey and beeswax. In relation to this, the demand for the bee queen is growing rapidly providing an additional opportunity for investment.

The numerous lakes and rivers of Ethiopia provide huge opportunity for the development of the fishery industry. The total fish catch potential in Ethiopia is estimated at 40,000 tonnes per year. In addition to this, opportunities exist for investment in the construction of aquaculture to produce fresh water fish for local and international markets.

### Forest products and natural gum



Ethiopia is endowed with distinct climatic conditions, which enables it to grow diverse plant species used for industrial and pharmaceutical purposes. Acacia, Commiphora and Boswellia are just one group of the various plant species grown in the arid and semi-arid areas which produce gums. The increasing trend of consumption of convenience foods has enhanced the growth of production of gum and its use over the past few years. As in most other sectors of the additives industry, increasing health consciousness has also fuelled growth for thickeners of natural origin.

### Tea



In Ethiopia, tea is mostly grown in the highland dense forest regions where the land is fertile and the use of fertiliser is very low. Moreover, the availability of abundant and cheap labour in the country has made the use of manual weeding instead of chemical weeding possible. Because of this mostly organic cultivation, Ethiopian tea is highly sought after. This is confirmed by the 'International Gold Star' award for quality given by B.D.I. in Madrid, Spain to one of the major Ethiopian tea exporters – Tea Production and Marketing Enterprises.

### Markets and market access

Major agricultural export products of Ethiopia include: coffee, livestock products (leather and leather products, live animals and meat), oil seeds and pulses, fruits, vegetables and flowers, textiles, natural gum and, spices products. Its agricultural export products have markets in neighbouring countries, Asia, the Middle East, Europe and America.

Ethiopia is a member of a regional trade grouping – The Common Market for Eastern & Southern Africa (COMESA) – a region inhabited by more than 420 million people. Ethiopia also enjoys Duty Free and Quota Free (DFQF) privileges extended by, among others, USA – Africa Growth and Opportunity ACT (AGOA), EU – Everything But Arms (EBA), China – '0 Tariff' privilege and India – DFQF. The market accesses privileges allow investors engaged in the agriculture and agro-processing export sector of Ethiopia to reap the benefits of the preferential markets giving them the chance to get competitive edge for their products compared to those outside of the scheme.

### Investment incentives

As noted on the investment code of 2002 (as amended in 2003) and Council of Ministers Regulation 2003 (as amended in 2008) investors interested in the agriculture and agro-processing export sector will have:

- Customs duty privilege for capital goods and construction materials necessary for the investment and spare parts whose value is not greater than 15% of the total value of the capital goods.
- Tax holiday privileges between 2 to 7 years of which details will be provided by the Investment Board of Ethiopia.

### Investment guarantees

- The Constitution and the Investment Code protect private property.
- Foreign investors are entitled to make the following remittances out of Ethiopia in convertible foreign currency: profits and dividends accruing from investment; principal and interest payment on external loans; payments related to a technology transfer agreement; proceeds from the sale or liquidation of an enterprise; proceeds from the transfer of shares or of partial ownership of an enterprise to a domestic investor; expatriate employees may remit, in convertible foreign currency, unspent salaries and other payments accruing from their employment in hard currency.
- Investors that suffer losses during a tax holiday period provided under the investment incentive are also entitled to a loss carry forward of such losses for half of the income tax exemption period.
- As a member of the World Bank Multilateral Investment Guarantee Agency (MIGA), World Intellectual Property Organization (WIPO), the International Convention on Settlement of Investment Disputes between States and Nations of other States (ICSID) and having Bilateral Investment Promotion and Protection Agreement with the UK, investors enjoy strong guarantees for their