Investment opportunities in the Ethiopian Poultry sub-sector

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On behalf of the Ethiopian Embassy, I would like to warmly welcome you to the business event organized by both the Ethiopian Embassy in Brussels and the Embassy of the Kingdom of Netherlands in Addis Ababa. The Ethio-Netherlands Business Event, being first of its kind, is aimed at enforcing the ever-growing friendly relations between the two countries. It is my strong belief that both the Ethiopian and Dutch private sectors shall benefit from this important business forum as it creates a unique opportunity for new networks and acquaints the Dutch private sector with valuable insights about business opportunities in Ethiopia.

Presently, Ethiopia and the Netherlands enjoy good diplomatic relations and a strong development and economic partnership. Ever since the Netherlands opened its diplomatic Missions in Addis Ababa in 1950, the relation grew from strength to strength. Most recently, in a second round of political consultation took place in The Hague from 5 to 6 March 2015, where we emphasized the need to further stimulate the economic relations by new networks and acquaints the Dutch private sector with valuable insights about business opportunities in Ethiopia.

Trade between the two countries is showing an encouraging development in recent years. Today, there are over 100 Dutch companies active in Ethiopia, and this number is increasing. However, I strongly feel that the current level of investment is not commensurate with the potentials of the two countries. My government is highly committed to promote the private sector by offering a comprehensive set of incentives to enhance the FDI in the country. Investors shall be accorded with several incentives depending on the sectors; such as custom duty payment exemptions on capital goods and construction materials, income tax exemptions from two to seven years and carry forward losses. Similarly, several export incentives have been put in place to encourage investors aspiring for export. Ethiopia is highly devoted to protect investment through its Investment Code that protects private property, repatriation of capital and profit. More importantly, my government guarantees constitutional protection from expropriation. Ethiopia is also a signatory to the International Investment agreements such as the Multilateral Investment Guarantee Agency (MIGA), Bilateral Investment Promotion & Protection Treaties (BIPP), and the International Convention for the Settlement of Investment Dispute (ICSID). Equally, Ethiopian products have duty-free, access to the U.S. and EU markets. Ethiopia is now going through a constant multifaceted economic growth and transformation. Ethiopia’s improved economic infrastructure, abundant and affordable labor along with its excellent climate and fertile soil remains the country’s comparative advantage attracting investors. Market wise, the >90 million population and strategic geographical location offer a wide market access. Ethiopia with its huge investment potential has a lot to offer for the Dutch private sector. My government is ready to address any investment request from the Dutch private sector and to create economic interdependence between the two countries and peoples. It is therefore, my sincere belief and expectation that the outcome of this business event will be in line with the Dutch private sector’s interest.

H.E. Teshome Toga
Ambassador of the Federal Democratic Republic of Ethiopia to the BENELUX, Baltic Countries and Permanent Representative to European Union

Not many people realize how much Ethiopia has changed over the last two decades. Ethiopia combines strong economic growth with impressive results in poverty reduction and other social indicators, for Ethiopian products and infrastructure; a structural transformation of the economy is underway, with an increasing role for manufacturing and industrialization. For the coming years, the perspective for future private sector investment is promising in many areas, especially in sectors where more value can be added and where large numbers of jobs can be created.

Of course these developments have also had its effect on the changing relation between the Netherlands and Ethiopia. Although development cooperation is still very much needed for years to come, the relation has broadened into a dynamic partnership, in which Aid and Trade and economic cooperation are becoming more and more prominent.

Many Dutch companies have discovered the potential in Ethiopia; at present we have over 100 companies with a permanent basis in Ethiopia and the number is increasing. Although the majority of these companies is active in horticulture/agriculture, there is also Dutch presence in other sectors like transport, construction, tourism, food & beverages etc.

Opportunities in Ethiopia are almost endless and one of the promising areas is the Agro-sector of Poultry. The Netherlands Embassy in Addis Ababa therefore felt the need to commission a Business Opportunity Report, to provide further insight into the opportunities in poultry sub-sector and specific information for companies that are interested to invest in this sector in Ethiopia.

Lidi Remmelzwaal
Ambassador of the Kingdom of the Netherlands in Ethiopia

This Business Opportunity Report will also be used as an important input for the first Ethio-Netherlands Business Event that will take place on 5 and 6 November 2015 in the Netherlands. This important event will focus on a selected number of promising sectors in Ethiopia, such as seeds, oilseeds, poultry, dairy, spices, textiles and logistics.

The idea for this Ethio-Netherlands Business Event surged in a dynamic discussion that I had with my colleague, the Ethiopian Ambassador to the Netherlands (based in Brussels). We felt that the growing economic cooperation, the ambition of Ethiopia and the numerous opportunities for Dutch companies deserve a much broader and prominent approach, such as this Ethio-Netherlands Business Event, in addition to sectoral economic and trade missions.

In good partnership between Ethiopia and the Netherlands this initiative was further developed and together with many other partners and stakeholders this idea has been turned into reality. This Business Opportunity Report is an important building block for the Ethio-Netherlands Business Event.

I hope that this Business Opportunity Report on Poultry will prove to be instrumental for raising the interest of Dutch companies to invest in Ethiopia and will provide them with useful and realistic information. The Ethio-Netherlands Business Event will certainly offer an interesting podium for this and I am very much looking forward to this important event. It will certainly be yet another step in the further strengthening and broadening of the partnership between the Netherlands and Ethiopia.
“For commercial poultry, Ethiopia is more or less in the same stage as Zambia 20 years ago. Largely state-owned, whether it was farms, feed mills, supermarkets etc. But when urbanization took place, people started to invest and the big retailers like Shoprite came. That is where Ethiopia is heading now.”

Pieter Swanepoel, Country Manager Ethiopia for Astral Foods
### 1.1 Production

The Livestock Master Plan (LMP) forecasts the sub-sector to help close the total national meat production-consumption gap and achieve the increase of the share of chicken meat consumption to total meat consumption from the current 5% to 30% by 2030.

Although it does not become clear how its production figures are compiled, the Livestock Master Plan provides some base-line figures for its growth projections in various poultry products. It indicates that in the year 2014/15, Ethiopia holds the below figured numbers.

**COMMERCIAL LAYERS**
- **145,000 layer chickens**
  - Number of chickens in the specialized poultry layers (SPP-Layers) sub-system
- **500 SPP Layer average flock size/unit**
- **28 million eggs**
  - Number of eggs produced in specialized poultry layers sub-system

**COMMERCIAL BROILERS**
- **193,000 broiler chickens**
  - Number of chickens in the specialized poultry broilers sub-system
- **30 SPP Broiler units**
- **6400 SPP broiler average flock size/unit**
- **0.395 thousand tonnes chicken-meat from SPP-system**
- **0.255 thousand tonnes chicken-meat from commercial broilers**

These estimates are most probably too conservative, since Effo and Alema farms, two of the largest poultry integrations in Ethiopia combined should according to our information already have more than these amounts of both broiler chickens and layer chickens at most times a year. Our estimate would therefore be at least 3 times these amounts of chickens, eggs and tonnes of broiler meat.

Unfortunately, except for these baseline estimates from the Livestock Master Plan, no production figures could be retrieved from the Ministry of Agriculture, ATA or Central Statistics Agency.

### 1.2 Inputs

**Feed**

There are a few commercial feed producers that produce specialised poultry feed in the country, like Alema Koudjips Feed (AKF), Akaki Feed Factory, Elthiofeed and Friendship Agro-Industries. Feed mills generally use locally produced raw materials. However, premixes and concentrates are usually imported since there is no production of good quality premixes and concentrates in the country. Recently, a few foreign investors have come to Ethiopia to produce compound feed on a large-scale next to AKF, most notably Astral Foods and Feedco. The latter should also start the production of pre-mixes in Ethiopia.

**Vaccines and drugs**

NVI- PANVAC (Pan African Veterinary Vaccine Centre) in Debre Zeit produces a number of vaccines for poultry, such as live and inactivated Newcastle disease, IBV, Fowl pox, and Fowl typhoid. Other important vaccines are not available from local producers. Only East-African Pharmaceuticals produces some veterinary medicines itself. Currently the Ethiopian government is registering more and more veterinary medicines and vaccines, facilitating commercial livestock production and increasing business opportunities for suppliers. At the moment some of the most important suppliers of veterinary products are: Equatorial Business Group, East-Africa Pharmaceuticals, Rangvet PLC and Gasco Trading.

**Equipment**

Poultry farm equipment is available through several farm equipment distributors. The distributors have close relationships with several companies abroad (based in multiple countries, such as Belgium, Italy, the Netherlands, India, China, etc.). Customers are farmers at all scales. Small and medium scale farmers mostly buy drinkers and feeders, while large scale farmers need more comprehensive solutions including hatchery and climate systems.

Most important importers and suppliers domestically: Gasco Trading, Woe Team PLC, Friendship Agro-Industries (supplies own-made equipment, notably self-designed cages).

### 1.3 Value chain

As in many other African countries, rural/village level or backyard production in Ethiopia contributes significantly (approx. 96% according to the latest statistics) to the national egg and poultry meat consumption.

Whilst local village chicken are kept all over the rural highlands, most commercial producers are concentrated in the area covering Addis Ababa, Debre Zeit, Mojo and Adama. Commercial poultry farms are also coming up in other growing urban areas (Mekelle, Dire Dawa, Gondar, Awassa, Bahir Dar).

### PRODUCTION SYSTEMS IN ETHIOPIA

Poultry production systems are usually classified in four different categories:

1. **Industrial integrated system** with high level of biosecurity and birds/products marketed commercially (e.g. farms that are part of an integrated broiler production enterprise with clearly defined and implemented standard operating procedures for biosecurity).
2. **Commercial poultry production system with moderate to high biosecurity and birds/products usually marketed commercially** (e.g. farms with birds kept indoors continuously; strictly preventing contact with other poultry or wildlife).
3. **Commercial poultry production system with low to minimal biosecurity and birds/products entering live bird markets (e.g. a caged layer farm with birds in open sheds; a farm with poultry spending time outside the shed; a farm producing chickens and waterfowl).**
4. **Village or backyard production with minimal biosecurity and birds.**

The poultry value chain (VC) is displayed on next pages. Figure on page 8 refers to the VC of broilers. Figure on page 9 to that of layers, both indicate the institutional and policy environment.

Both VCs use the following classification:
- small scale commercial farms: capacity of 50 to 1,000 birds
- medium scale commercial farms: capacity of 1,000 to 10,000 birds
- large scale commercial farms: capacity of over 10,000 birds.
Major trends in the development of the poultry sub-sector

In general, the number of actors on the different scales follows a pyramid structure, with only a few large scale farms, a growing number of medium scale farms and many and also strongly increasing number of small scale farms.

1.3.1 Breeding, multiplication and hatching

The input of DOCs shows a similar structure for both the VC of broilers and that of eggs. Most parent stock that enter the two VCs, both layers and broilers, are not bred in Ethiopia but obtained from multiplication centres in other countries such as the Netherlands, South Africa, Saudi Arabia or Egypt.

Secondly, layer and broiler DOCs are produced in the country. This is done by large scale commercial farms and multiplication centres.

Several large scale farms have their own hatching (and sometimes also multiplication) facilities to produce DOCs. They mainly operate for their own production, but also supply medium and small scale farmers. These farms have their own, imported parent stock. Often hatching eggs are imported.

For the flow of DOC from large farms to rural farmers, Development Agents (DA) step up as an intermediary. This is part of government policy on rural empowerment, with which government ensures distribution of DOCs and other VC inputs throughout the country and sometimes offering the animals at a reduced price.

Next to these major sources of DOC, a few medium and small scale farmers have their own small incubators in which they hatch layer-DOCs themselves. They purchase the hatching eggs from multiplication centres and a few farmers are also rearing their own parent stock.

1.3.2 Production of broilers and eggs

A general notion in the production part of the VC is that the scale sizes of farms differ a lot along the VC: there are farms that keep a few dozen layer chickens and there are farms that keep a couple of ten thousands. There are approximately 25–30 medium to large scale integrated farms that keep poultry and that process and distribute their products themselves. In chapter 4 we have elaborated on the largest integrated farms and poultry feed producers. The number of players in exotic broiler production is much lower compared to exotic eggs production.

All large scale layer farms rear pullets themselves, mostly from their own or imported DOCs. However, some medium and most small scale farmers either choose for pullet rearing or for layer keeping. In order to provide layers for those who lack the ability or capacity to raise pullets in a proper way themselves, some multiplication centres keep some of their DOCs, raise them and sell them as layers.

Large and medium scale farms usually slaughter and process the birds themselves. Level of processing is low though: most birds are sold plucked, eviscerated and frozen and only some go into further processing for special cuts like legs, thighs or breast. Smallscale farmers usually lack slaughtering facilities. They contact a broker who buys their chickens and brings a slaughter man to the farm. The broker then takes the carcasses to his own premises to dress and freeze them, ready for the market.

1.3.3 Collecting, trading and retailing

The eggs of large-scale integrated farms follow several routes to the market. Some large scale farms sell their eggs to their own super- and minimarket or they sell to other super- and minimarket or to market vendors directly. The final route to the market is through primary collectors.

For small and medium scale farmers these primary collectors are the main gateway to the market. Since these farmers generally lack a VAT registration (which allows someone to engage into commercial activities involving the production and distribution of goods and the provision of services with ‘added value’), they need an intermediary. Primary collectors visit the farms one by one to collect the eggs. After collecting, they trade the bulked eggs to market vendors or super- and minimarkets.

For consumers in search of exotic eggs, there are basically two options, either from domestic and minimarkets. Local markets are ubiquitous in many towns and cities. There, market vendors sell exotic eggs next to the local ones. They usually sell live local chickens as well. Super- and minimarkets are only found in bigger settlements. Some super- and minimarkets are owned by large-scale farms. If there is no shortage of eggs such farm-owned super- and minimarkets sell only eggs sourced from their own farms. But if there is a shortage, they will also purchase from primary collectors.

Broilers are for the vast majority sold as deep-frozen whole chickens in supermarkets and minimarkets.

1.3.4 Challenges in the value chain

- The enabling environment is not yet conducive enough. The tax system (import route, permits) needs streamlining; food safety regulations need to be enforced. There is still a strong role to play for lobbying bodies such as the Ethiopian Poultry Producers Association (EPPA).
- Ethiopian import regulations can be quite a challenge. To import breeding stock farmers need to apply for an import permit at the Ministry of Agriculture. With this permit the farmer needs to arrange a letter of credit at the bank. The shortage of foreign exchange and the often contradictory terms of conditions are often delaying this process.
- Currently there is no consistent supply of feed in adequate amounts, no regular and reliable supply yet of basic housing equipment, poor veterinary services and there is an insufficient knowledge base.
- There is a chronic shortage of day old chicks in Ethiopia. This leads to many farmers abandoning poultry keeping because their poultry houses will often be empty for months on end whilst they are waiting for new supplies from the hatcheries. Although the import permits might be issuing, performance is rather poor and needs improvement.
- For the government (MOA of Ethiopia), for poultry associations and poultry producers, it is of importance to understand the economic impact of poultry diseases. Capacity building is still needed for disease monitoring, epidemiology and diagnostic skills.

FUNCTIONING OF HATCHERIES IN ETHIOPIA

In general, the knowledge on hatching processes is low and management standards at most of the hatcheries are poor. This leads to low hatching percentages on several of the hatcheries in Ethiopia. Hatching results are influenced by parentstock management as well as the management of the hatchery itself. Managing parentstock is more difficult than managing layers or broilers. Feeding broiler parentstock is rather sensitive, as they need to be fed strictly according to schedule to prevent them growing too fat. The parentstock farms observed clearly lacked good management: animals were not always uniform, cocks often too fat, dry hens are not culled and many birds suffer from diseases and external parasites. On most of the parentstock farms, there is no culling equipment available to test fertility of the eggs. Furthermore, hatching of both layer and broiler parentstock are often put together in the same batch, which is far from ideal, as layer hatching eggs are more sensitive to disturbances in the hatching process.

A structural problem with all the hatcheries in Ethiopia is the altitude on which they are built. All are on higher altitudes with lower concentrations of oxygen. This leads to higher mortalities between days 15 and 20 of the hatching process, when oxygen concentrations are lower. This leads to higher mortalities. Mortality is often put together in the same batch, which is far from ideal.

In Ethiopia, the government (MOA) of the poultry sector directly regulates the production of DOCs, the multiplication of DOCs and distribution of DOCs and other VC inputs. This is done by large scale commercial farms, Development Agents (DA) and sometimes also small scale farmers.

In general, the number of actors on the different scales follows a pyramid structure, with only a few large scale farms, a growing number of medium scale farms and many and also strongly increasing number of small scale farms.
There is a need to professionalize slaughtering and processing to make the whole process efficient and especially to guarantee better safeguards for food safety. Currently there are very few professional slaughtering and processing facilities in the country: two large scale poultry companies operate established slaughter lines for many years already, two small investments in slaughter equipment are currently setting up their operations. In terms of percentage of birds slaughtered in a safe (both from a point of food safety as well as from environmental protection) manner, this concerns only a very small percentage of birds slaughtered in Ethiopia at present.

Many commercial Ethiopian poultry enterprises see the large untapped potential of commercial poultry products in the country, but feel the market has to be stimulated to get this potential fully unleashed. Marketing skills need to be further developed, based on additional market research. Moreover, the Ethiopian retail sector is currently not conducive for sales of commercial poultry products.

“There is hardly any formalized retail in Ethiopia; no active ways for the farmer to promote his own products to the supermarket, where he would compete with other farmers. So all the farmers are waiting for the middlemen to get to the farm gate. Supply and demand is inconsistent, it is determined by the middle men.”

Pieter Swanepoel, Country Manager Ethiopia for Astral Foods

1.4 Domestic market

Currently 17 % of the population lives in cities and the expected urbanisation rate stands at 3.8 % (CIA, 2012). This means that urbanisation rates in Ethiopia are relatively low as compared to other African countries. Market growth will therefore be small initially, but is expected to still expand considerably throughout the coming decades.

The sector has challenges to meet the market demand. This is one of the reasons why there is low consumption of poultry products. Per capita egg consumption in Ethiopia is still low though, as compared to other African countries. Consumption in Ethiopia stands at 0.5 kg per capita per year, while neighbouring Kenya has an annual consumption rate of 1.7 kg per capita. Poultry meat consumption worldwide stands at 13.8 kg per capita per annum.

Ethiopia is also developing, much in line with economic changes taking place in other countries: the country realises a strong and stable economic growth with rising incomes. This also leads to different consumption patterns as can already be observed in the urban areas. With a population nearing 100 million people, the market perspectives for poultry production are certainly very promising.

In general it can be stated that currently exotic broiler meat and table eggs only constitute a limited portion of the market share of chicken meat and eggs in Ethiopia. Most of the poultry products consumed still come from backyard systems. Furthermore, the consumption of poultry products and other meats is affected by the fasting regime the Orthodox Christian consumers follow, who constitute approximately 50 % of the population.

Local eggs and local chicken are used in traditional dishes such as doro wot (a local stew dish). It is generally felt that modern eggs and chicken are not suitable to prepare this dish. Exotic broiler meat and table eggs are used by bulk consumers that serve an international audience, such as hotels and restaurants, and are increasingly sold through supermarkets and other commercial outlets. Exotic table eggs are preferred, also by Ethiopians, over local eggs for use in pastry.

<table>
<thead>
<tr>
<th>2.3 kg/capita/year</th>
<th>average egg consumption in Africa</th>
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<tbody>
<tr>
<td>6.4</td>
<td>in Oceania</td>
</tr>
<tr>
<td>9.2</td>
<td>in Asia</td>
</tr>
<tr>
<td>11.4</td>
<td>in Americas</td>
</tr>
<tr>
<td>12.7</td>
<td>in Europe</td>
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</table>

0.5 in Ethiopia
In general, the poultry sector in Ethiopia is growing fast, and opportunities are popping up in almost all parts of the chain. Foreign investors are setting up base in Ethiopia when this report is being written, for example Astral Foods from South-Africa.

2.1 Hatchery

Operational hatcheries and their capacity
Almost all interviewed hatcheries have multi stage type of setters with a setting capacity ranging from 10,000 to 77,000 hen eggs. Most private hatcheries have only one hatchery machine with 19,200 hen egg capacity, but a few larger ones have far greater capacity (Elfora, Alema Farms, Ethiochicken). However, these larger ones were not willing to share their exact capacity. The two government poultry breeding and multiplication centers in this overview (Awassa and Kombolcha) have more than 3 hatchery machines with a capacity of 6,000 to 7,000 hen eggs per hatching round.
Hatchery overview 2014/15

Name | Capacity | Setter | DOC delivered per year | Parent source
--- | --- | --- | --- | ---
Abewab (Mojo) | 2 x 14,040; 4 x 18,000; 1 x 76,400 | 7,000; 6,000 | 365,000; 450,000 | France Avian
Alema Farms (new) | 225,000 | 98,000 | ISA and Cobb Vantess
Ayma Poultry Farm (Alemshet Degilef) | 1 x 57,000 | 1 x 19,200 | 250,000 | ISA
Daniel Getu | 3 x 19,200; 19,200 | 1 x 19,200 | 100,000 | ISA
ELERE Farm (Fanta Terefe) | 6 x 30,000; 6,000 | 3 x 19,200 | 1.3 million | Cobb & Lohman
Gerado Farm (Ebrahim) | 1 x 76,800 | 19,200 | 250,000 | ISA
Hawassa Genene | 3 x 19,200 | 6,000 | 120,000 | ISA
SW Poultry Farm (Samson Wosen) | 1 x 77,000 | 1 x 19,200 | 300,000 | ISA
Kombolcha (Shimelis) | 2 x 10,000; 4 x 18,000; 1 x 76,400 | 7 x 6,000 | 450,000 | ISA
ELFORA | 210,000; 76,000 | 112,000 per week | Ross & Hendrix
ELFORA new farm in Chefa | 10 x 41,472 | 4 x 20,736 | 6,000,000 | Cobb for broilers
Bracod agro industry | 38,400 | 19,200 | 2,000 | Lohmann
Andasa (BahirDar) | 38,000; 12,000 | 10,000 | Lohmann
Miltias Albert | 76,800 | 19,200 | ★ Cobb Vantress

2.2 Breeding stock
Currently, breeding farms do not exist in Ethiopia, as in most countries in Africa. ISA Hendrix Genetics has only breeder farms in Nigeria and South-Africa on the African continent. Ethiopia could be a logical expansion and a first breeding hub in East-Africa, given its fastly growing economy, urbanization, big population (90–100 million) and growth of the poultry sector. However, there are also downsides.

"Import regulations regarding the registration and importation of vaccines and additives is of concern, as this poses an immediate danger to flock health and the financial impact can be severe. Without the vaccine regimen being changed somebody can set up a breeder farm. You will have to wait a minimum of 6 months to get your imports while you will lose your flock within a day."

Pieter Swanepoel, Country Manager Ethiopia for Astral Foods

However, as described in earlier chapters, the veterinary sector is actively being transformed and privatized and also regulations regarding vaccinations are changing. This could be a good opportunity to set up the first breeder farm in the country.

2.3 Feed
Currently, the commercial animal feed sector in Ethiopia is swiftly developing. Since 2009 the Dutch-Ethiopian joint venture Alema Koudijs Feed has been producing poultry feed on an increasing scale. Now South-African Astral Foods and Kenyan Feedco will also soon start producing compound feed, while Feedco even plans to produce pre-mixes. At the same time some serious local players exist and various farms also produce their own feed.

Challenges also exist. The import tax of 53 % on pre-mixes and concentrates still exists. Recently the VAT on poultry feed has been removed, but this does not directly decrease its prices.

"Although the VAT on poultry feed has recently been exempted, VAT on supplements are still in place. There seems to be an implementation issue here."

Dr. Yohannes Getinet, Equatorial Business Group

2.4 Veterinary
Also for the veterinary sector, various trends are coming together creating huge business opportunities for companies in this field. Increasing livestock produc-

Investment opportunities

Concrete opportunities

1. Exports of pre-mixes and concentrates for supply to local feed producers.
2. Exports of pre-mixes, micro-ingredients, concentrates to Ethiopia.

Concrete opportunities

1. Exports of poultry medicines, anti-biotics, anaesthetics, anthelmintics, vaccines, etc.
2. Investment in veterinary medicine production in Ethiopia. So far, only one company is producing some veterinary products like anthelmintics in the country.

The veterinary pharmaceuticals manufacturing sector is in its infancy stage, this is one area where national or foreign companies can come and create joint ventures with local business counterparts.”

Dr. Yohannes Getinet, Equatorial Business Group
2.5 Automatic equipment

Also for international equipment suppliers the Ethiopian market is quickly advancing. For the same reasons as mentioned earlier, the demand for automatic poultry equipment can only increase. Especially foreign investors are potentially interesting clients for European equipment suppliers, since they are less likely to purchase the lower quality equipment from the less service-oriented companies from especially China and India.

Concrete opportunity
New (foreign) investments bring opportunities for export of housing equipment, automatic laying nests, automatic feeding and drinking systems, climate systems and lighting systems.

2.6 Opportunities slaughtering and processing equipment

With the increased demand of commercial broiler meat, especially in the swiftly expanding Ethiopian cities and condominium housing projects, slaughtering and all its side-activities are becoming more important as well. Rendering, waste-water treatment and cooling are important in this regard as well.

Concrete opportunities
1. Increasing commercial broiler meat market will increase demand for investments in professional slaughterhouses.
2. Export of slaughter equipment, rendering systems, water treatment systems, etc.
3. Export of cooling equipment and investments in cooling and freezing stations.

“There is a lack of high capacity freezers or storage units. Finished broilers need to be dressed and stored to manage the seasonal fluctuations in demand.”

Dr. Workneh Ayalew, Director Livestock ATA

2.7 Opportunities in demonstration, training and education

During the first three years of operations of the HAPP consortium several training and education activities have been carried out, both at the NPTC as well as at six universities.

As part of the support to building up the Ethiopian poultry industry, the public-private HAPP consortium has established a training centre in Debre Zeit, the National Poultry Training Centre, with support from the Dutch Government (demonstration fund) and from the Ethiopian Government (building the poultry houses). There are three poultry houses, one for broilers, one for layers and one hatchery. The NPTC is constructed on the premises of the EIAR and should be managed jointly by EIAR, EPPA and HAPP.

The Ethiopian government has requested the HAPP to prepare a proposal for the establishment of six more practical training centres. This proposal has been offered mid 2015 and is currently being considered by the government. The establishment of more practical training centres creates the opportunity for more integration of practical training at both ATVET and University level. Furthermore, it offers better exposure to the HAPP consortium in various parts of the country. The offer includes both the technical facilities as well as an intensive training and advisory programme aimed at instruction of staff in the correct management of the housing systems and elaborate train the trainers programme.
3.1 Sector policies and regulations

The most important policy underlying agricultural development is the Agricultural Growth Programme (AGP), which is part of the Growth and Transformation Plan (GTP). Appreciably, public spending towards agricultural growth is so considerable in Ethiopia accounting for about 13 to 17 of the government annual budget and about 7.5% of GDP.

The application of livestock policies is laid down in the Livestock Master Plan (LMP), which was developed in 2014. Specific priorities of the LMP include: improving indigenous red meat animals, cross-breeding dairy cattle and small ruminants, improving family poultry and camels, scaling up technologies and improving data on Ethiopia’s livestock and livelihoods, especially in pastoral areas. The LMP communicates very ambitious targets for its livestock production:

- Overall target for 2020 through Improved Family Poultry (IFP) and expanded specialized Poultry (SPP)

| 170 thousands tons | 3.9 billions |
The LMP foresees several major interventions to support commercial poultry production:

- Ensure sufficient land is allocated and put into poultry feed production (especially maize and soybeans)
- Promote private sector investments to increase the number and size of specialized commercial scale broiler and layer units
- Encourage private sector to invest in poultry agribusiness, especially day old chick and pullet production and meat and egg processing.

### Policies for the veterinary sector

This entire process of privatizing the delivery of veterinary clinical services and upgrading public veterinary services is termed ‘rationalization of national veterinary services’. According to the Veterinary Rationalization Road Map, the formulation and implementation of a strong federal veterinary privatization policy will be important to ensure active promotion of privatization by the regional states.

"Currently we lack a legal framework; many regulations are waiting for endorsement. Lack of budget and facilities are also a problem. For disease diagnosis, currently there is only the NAHDIC; regional and district laboratories are not ready. Also the research capacity can be much larger. Furthermore, veterinary clinics in the districts are not well organized and there is a lack of availability of specific drugs."

- Dr. Ermias Alemu, Ministry of Agriculture

<table>
<thead>
<tr>
<th>Sector</th>
<th>Clinics and AHPs</th>
<th>Drug sales outlets</th>
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<td>318 (63%)</td>
<td>0 (0%)</td>
<td>318 (63%)</td>
</tr>
<tr>
<td>Private</td>
<td>47 (9%)</td>
<td>139 (28%)</td>
<td>186 (37%)</td>
</tr>
<tr>
<td>Total</td>
<td>365 (72%)</td>
<td>139 (28%)</td>
<td>504 (100%)</td>
</tr>
</tbody>
</table>

3.2 Challenges with regulations

- Lack of capacity and knowledge that exists in some public agencies and government bodies.

"When importing equipment or veterinary products, there are often logistical problems with regards to the transport from Djibouti to the dryport in Modjo. It can take weeks or months and the transportation costs are still incredibly high. There has hardly been improvement in the process in the last 10 years. One of the reasons for this is the major turnover of people at Customs Authorities; again and again the officials do not seem familiar with the goods that Gasco wants to import. So the knowledge of customs inspectors should improve."

- Dr. Hailu Tadese, General Manager Gasco Trading

- Overlap in mandates that some government bodies seem to have created or been mandated with.

"The duplication of and overlapping of agencies trying to perform the same work in terms of regulation needs to be streamlined. Duplication and overlapping can result in the creation of inefficiencies."

- Pieter Swanepoel, Country Manager Ethiopia for Astral Foods

- Import taxes on various inputs for poultry production, notably the 53 % import tax on pre-mixes and concentrates for poultry feed, are still a burden on the price of quality poultry feed in Ethiopia. Similar taxes exist for other inputs like veterinary products and equipment.

"We need to work on the importation process by introducing an online system for importation. Currently, we face many challenges such as the lack of financial capacity and the high transportation costs."

- Dr. Rada Kassaye, Director of Veterinary Services, NVP
Sources of further information
4.1 Public sector partners

4.1.1 Government organizations

Ministry of Agriculture
The Ministry of Agriculture, based in Gurd Shola area in Addis Ababa, also includes a department of livestock and veterinary affairs. Since the second half of 2013, this Ministry contains a State Minister of Livestock (currently Dr. Gebrezieghiabher Gebreyohannes), who re- ports to the Minister of Agriculture (currently Mr. Tefera Deribe). The livestock department consists of three main departments:
1. Animal Production
2. Animal Health
3. Pastoralists

The Department for Animal Production is headed by Mr. Tadesse Sori and the Department of Animal Health by Dr. Bewket Sirah, who is at the same time also the Chief Veterinary Officer.

Government extension service
The Ministry of Agriculture is responsible for developing and refining the overall national agricultural and rural development strategies and policies for the country, with input from the regions and other stakeholders. Within this strategy, the Ministry of Agriculture establishes the government extension policy, providing financial support for the extension system and supporting the regions with training and other capacity-strengthening activities.

Agricultural Transformation Agency
The Ethiopian Agricultural Transformation Agency (ATA) is an initiative of the Government of Ethiopia, established in 2011. The primary aim of the Agency is to promote agricultural sector transformation by supporting existing structures of government, private-sector and other non-governmental partners to address systemic bottlenecks in the system to deliver on a priority national agenda to achieve growth and food security.

In the second half of 2014, a livestock value chains agenda to achieve growth and food security.

4.1.2 Research and Education

Ethiopian Institute of Agricultural Research (Eiar)
All agricultural research in Ethiopia is carried out by the Ethiopian Institute of Agricultural Research (Eiar), a government body. The Ethiopian Institute of Agricultural Research (Eiar) coordinates the decentralized agricultural research activities at federal and regional research centers, and through higher education institutions, including 7 regional and 15 federal agricultural research institutes. It operates at the federal and regional levels.

The head office of the Eiar is located in Addis Ababa and most of the poultry research is carried out on the research station in Debre Zeit. The Eiar operates Regional Agricultural Research Institutes (RARIs) on various locations throughout the country.

Poultry research concentrates on four different themes:
1. Multiplication and distribution of breeds adaptable to Ethiopia.
2. Breeds are multiplied on-station and on-farm: Eiar has from both the Dominant Brown (from Czech) and Hubbard approximately 1000 parent stock. They also have some dual-purpose chickens from the breed Koekoek from South Africa (http://www.arc.agric.za/home.asp?pid=2611) and the Fayoum dual purpose from Egypt. Capacity to lay is up to 200 eggs annually. Eiar has also conducted a breeding programme for breeds adaptable to Ethiopia through a PhD research by Mr. Wondemeneh Esatu, in which other breeds, such as Koekoek.
3. Developing technologies: carrying out some research projects on e.g. efficacy of IB and NDC vaccination, evaluation of bio-security measures, salmonellosis, assessment of feed quality on local markets, demonstrations on small scale poultry keeping packages; investigating for alternative feed sources in various parts of Ethiopia.

The government operates a poultry distribution programme which provides DOC’s to poultry farmers, with training and some feed and vaccines if necessary. Eiar monitors the result of this programme.

Future research priorities under the LMP include:
- Selection to improve indigenous red meat animals and on-farm record keeping;
- Better cross breeding of dairy cattle and small ruminants;
- Improved Family Poultry and Camel improvement;
- How to manage/improve rangelands in pastoral areas;
- Developing new poultry lines using indigenous and exotic poultry breeds;
- How to reduce animal traction and improve mechanisation;
- Improving seed and feed options for forage production by livestock owners.

Education
Veterinary Sciences can be studied on eleven universities in the country. Animal Sciences on fourteen universities. The contents of the Animals Science curriculum is not yet fully harmonised at national level yet.

Poultry education is part of the Animal Sciences curricula. The poultry education is divided in three different modules, with in total 100 contact hours.

University curricula are usually rather theoretically oriented, stressing little attention for practical training. Some universities have their own poultry unit, but the management quality and utilization of training options from these units differ from university to university.

The Netherlands consortium Holland Africa Poultry Partners has, with financial inputs from both the Ethiopian and Dutch government built a practical training centre: the National Poultry Training Centre (NPTC) in Debre Zeit. A proposal to establish more of such centres in the country has been forwarded to the Ministry of Livestock.

The TVET system (technical and vocational training and education) is an initiative of the Government of Ethiopia, established in 2011.

Most of the TVET graduates end up in government service as DA or Animal Health Technicians. Recently, some TVET have started adapting their curriculum to the growing labour needs of the private sector, with some assistance from Dutch educational institutes, supported by EP Nuffic.

National Veterinary Institute (NVI)
The National Veterinary Institute has for years been the sole provider of vaccinations for livestock production in Ethiopia, including poultry. Their core business has been the production of vaccines for livestock diseases. Additionally they also provide feed analysis services.

However, the NVI has not been able to produce all necessary vaccinations for commercial poultry production, which is also one of the reasons why vaccine production also should be taken up by the private sector in the years to come. At the same time, NVI has not only produced vaccines for the domestic market, but also exported to other African countries.

National Animal Health and Diagnostic Investigation Centre (NAHDIC)
The National Animal Health Diagnostic and Investigation Centre (NAHDIC) is the most important veterinary laboratory in Ethiopia. It is state-owned and the centre of excellence for animal health, disease investigation, diagnosis and veterinary research. Currently, NAHDIC has implemented ISO/IEC17025:2005 in three laboratories selecting six tests as its scope of accreditation since 2009. These tests have been already recommended for accreditation in the pre-assessment process and they will be accredited soon after the follow up evaluation by the Accreditation body. The centre is located in Sebeta 25 kms from the capital, Addis Ababa.

VDFACA
The Veterinary Drug and Feed Administration and Control Authority (VDFACA) is a recently established authority that should amongst others lead the process of increased numbers of registered medicines and vaccines, in line with the Veterinary Rationalization Roadmap of the Ministry of Agriculture. Next to that, it will be in charge of controlling the quality and safety of veterinary drugs and animal feed in the country.
4.1.3 Development partners

**African Chicken Genetic Gain program**

In November 2014, the International Livestock Research Institute (ILRI) and partners initiated a new collaboration to provide better chickens to smallholder farmers in Africa named African Chicken Genetic Gain (ACGG). ACGG is a platform for testing, delivering, and continuously improving tropically-adapted chickens for productivity growth in sub-Saharan Africa. The program targets 3 African countries, namely Ethiopia, Nigeria and Tanzania and is mainly financed by the Bill & Melinda Gates Foundation. It has a budget for the first 5-year phase of USD 15 million and in Ethiopia the program will be implemented in the main production regions, namely Amhara, Oromia, SNNPR and Tigray, as well as in and around Addis Ababa.

The program aims to improve chicken genetics and the delivery of adapted chickens to support poverty reduction, productivity growth, increased household animal protein intake, and the empowerment of women farmers in rural communities. The immediate goal of the program is to increase the access of poor smallholder farmers in sub-Saharan Africa to high-producing but agro-ecologically appropriate chickens. Improved breeds of chickens from India and Africa will be tested to demonstrate high-production potential under low-input systems.

"The big operators can serve as a source of DOC's for the small-holder system. The low-producing breeds in the villages need to be replaced. With this approach they can get the genetics right and do something good, decreasing the cost of the products, improving livelihoods and increase poultry production."

Dr. Tadelle Desse, International Livestock Research Institute

**ACDI-VOCA**

ACDI/VOCA implements USDA’s three-year Feed Enhancement for Ethiopian Development (FEED) II project, which increases livestock and poultry productivity by further developing the animal feed sector, continuing the progress made under FEED I. Project activities and approaches:

- Develop the feed ingredient supply chain and service sector
- Develop feed manufacturing enterprises
- Develop a sustainable forage production system
- Introduce and expand feedlot (fattening), poultry, and dairy enterprises
- Promote improved on-farm feeding practices

**Ethiopian-Dutch poultry sector relations**

The Dutch poultry sector has been involved in Ethiopian poultry for at least 2 decades already. In the 1990s, the company Double Harvest with front-runner Mr. Gert van Putten, came to Ethiopia to establish the large-scale integrated Genesis Farms, which included poultry farming. At the same time, Henk and Henny Janssen supported the small-scale chicken farm Alema Farms in Debre Zeit (which is now one of the largest poultry integrations in Ethiopia). Double Harvest has a clear Christian reformed basis and never intended to only make profits, but specifically also to create employment, provide training and empower Ethiopians in the countryside. Much later, Double Harvest established a specialized poultry farm through the establishment of Maranatha Farms in 2009, also in Debre Zeit, managed by Mr. Karel Brak.

These initiatives laid the foundation for further actions by other Dutch poultry stakeholders. Mr. Geert Westenbrink, Agricultural Counsellor for the Netherlands Embassy in Addis Ababa between 2008 and 2012, tried to expand Dutch support in the Ethiopian poultry sector by supporting the establishment of the Ethiopian Poultry Producers Association (EPPA), in strong cooperation with Ms. Hilde Duns. They also supported the organization of the first poultry mission to Ethiopia in February 2011 with a large group of Dutch companies. This mission created momentum for more extensive engagement and the establishment of the Holland-Africa Poultry Partners (HAPP) consortium (www.hollandafrica-capoultrypartners.nl). This partnership was created at the end of 2011 within the 2g@there Poultry Program, a 3-year program in which the Dutch private poultry sector actively engaged with the Ethiopian poultry actors. The program consisted amongst others of various trade missions (both ways), trainings, mapping of the Ethiopian poultry sector in and around Addis Ababa, equipped with Dutch technology at the Ethiopian Institute of Agricultural Research (EIAR). Parallel to this program, another multi-annual initiative financed by the Netherlands Embassy in Addis Ababa called Agri-Business Support Facility (ABSF) facilitated the organization of a tri-annual Poultry Platform and the further support of the Ethiopian Poultry Producers Association (EPPA) in cooperation with the Dutch agri-NGO AgriTerra.

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### 4.2 Private sector partners

**Company name**

- **Astral Foods (South Africa)**

**Location**

Core location in Modjo; other locations not yet known

**CEO**

Christiaan Ernst Schutte

**Date of establishment**

December 2014 (in Ethiopia)

**Economic activities**

- Initially a hatchery and a feed mill. In general: integrated poultry farming. Astral Foods is one of the major poultry integration companies in the word.

**Website**

http://www.astralfoods.co.za/

**Date of establishment**

2010

**Main figures**

- Hatching capacity: 50,000 DOC’s per batch
- Feed mill: set-up with 10 tonnes an hour including pellet line and extruder

**Company name**

- **Alema Koudijis Feed PLC (AKF)**

**Location**

Debre Zeit

**Owner**

Mr. Lemma Asfaw

**Economic activities**

- Feed milling Parent stock production
- Broiler production
- Pullet production
- Egg production
- Meat processing
- Retailing (supermarket)

**Date of establishment**

1994

**Main figures**

- 190,000 broiler DOC’s per month, about half for sales, half for own production
- 50,000 layer DOC’s per month
- 10,000 Ross Layer parentstock: 5,000 Lohmann
- 150,000 broiler capacity: 4,000 slaughtered broilers per day
- 15,000 commercial layers
- Slaughtering and processing unit: chicken slaughterhouse with slaughter line for 2,000 birds per hour. They do process some of their poultry meat e.g. into poultry sausage
- Breeds: ISA Brown Hendrix, Bovans Brown and Lohmann Brown

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**Company name**

- **Alema Farms**

**Location**

Debre Zeit

**Manager**

Mr. Lemma Asfaw and Mr. Harry Schimmel

**Economic activities**

- Feed milling

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**Company name**

- **Alema Farms**

**Location**

Debre Zeit

**Owner**

Mr. Lemma Asfaw

**Economic activities**

- Feed milling

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**Company name**

- **Feed PLC (AKF)**

**Location**

Debre Zeit

**Manager**

Mr. Lemma Asfaw

**Economic activities**

- Feed milling
**Company name**

ELFORA Agro-Industries PLC

**Website**

http://www.feedcoethiopia.com/

**Main figures**

- Feedco Animal Feeds PLC manufacturers high quality compound feeds, blended feeds and mineral vitamins for dairy, beef, poultry and sheep farmers.

**Feedco Animal Feeds PLC**

- Hatching capacity: 50,000 DOC’s per batch
- Feed mill: set-up with 10 tons per batch
- Feed mill: includes 10 tons of feed per hour including pellet line and extruder. They plan to grow to a 150,000 tons capacity
- 3,000 square meters of warehouse (planned)

**Website**

http://www.feedcoethiopia.com/

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**Company name**

SAFE Poultry PLC

**Website**

http://acumen.org/investment/mekelle-farms/

**Main figures**

- They want to focus on small- and medium-scale poultry producers in the range 200–5000 chickens. They deliver DOC’s to rearing farms and link them with buyers of the pullets. Currently, most sales go through the government—local authorities are a sort of mediator. But the price of the DOC’s is fully paid by the farmers.

**SAFE Poultry PLC**

- Total production of around 2 million DOC’s per year
- Breeds: Cobb 500 for broiler chickens
- Boyans Brown, Boyans White and Lohmann for layer chickens

**Website**

http://www.flowequity.com/portfolio/

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**Company name**

Ethiochicken (formerly Mekelle Farms)

**Website**

http://www.flawequity.com/portfolio/

**Main figures**

- According to Ethiochicken they produce highly fertile, disease-resistant chickens and sells them to smallholder farmers in Ethiopia through a tailor-made distribution model. Ethiochicken targets the rural farmer market, supplying farmers with breeds more suitable for the village environment, are fast maturing, and produce five times as many eggs when compared to local Ethiopian chickens. Ethiochicken grows the chicks to 40–days old in a tandem with local government officials, who aggregate rural demand for chickens on behalf of smallholder farmers and facilitate the sales of 40-day old chickens to rural households.

**Ethiochicken (formerly Mekelle Farms)**

- Location Mekelle, Sodo, Wolkite and 1 farm in Amhara region (location unknown)
- Owners Investment companies: Acumen, Flow Equity
- Co-owners and managers Mr. David Ellis and Mr. Joseph Shields
- Economic activities DOC production
- Economic activities Parent stock production
- Economic activities Pullet production
- Economic activities Hatchery: Petersime, PasReform
- Economic activities Breeds: Boyans Brown, Rhode Island red and Kuroiler

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**Company name**

MIDROC Ethiopia

**Website**

http://www.feedcoethiopia.com/

**Main figures**

- Devan Khagram, General Manager Feedco Ethiopia

**Feedco India Feeds PLC**

- Hatching capacity: 50,000 DOC’s per batch
- Feed mill: set-up with 10 tons an hour including pellet line and extruder. They plan to grow to a 150,000 tons capacity
- 3,000 square meters of warehouse (planned)

**Website**

http://www.feedcoethiopia.com/

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**Company name**

SAFE Poultry PLC

**Website**

http://acumen.org/investment/mekelle-farms/

**Main figures**

- They want to focus on small- and medium-scale poultry producers in the range 200–5000 chickens. They deliver DOC’s to rearing farms and link them with buyers of the pullets. Currently, most sales go through the government—local authorities are a sort of mediator. But the price of the DOC’s is fully paid by the farmers.

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**Sources of further information**
Sources of further information

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• Double Harvest Netherlands – http://www.doubleharvest.nl/
• National Animal Health Diagnostic and Investigation Center – http://nahdic.gov.et/
• Trade Map– http://www.trademap.org