

▶ Ethiopia

A Market Systems Analysis of the Poultry Sector in Sidama & Amhara, Ethiopia

June 2021



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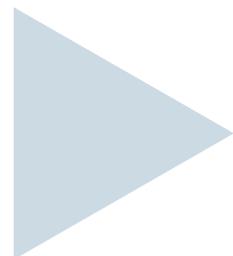


International
Labour
Organization

▶ **A Market Systems Analysis
of the Poultry Sector
in Sidama & Amhara, Ethiopia**

June 2021

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Executive Summary

Within the German Federal Ministry for Economic Cooperation and Development (BMZ) funded ProAgro Ethiopia project, the International Labour Organization (ILO) was tasked to conduct market systems analyses (MSAs) in three agriculture sectors - fruits and vegetables, edible oils and poultry. These analyses have been conducted to provide the project with a strong basis for a more targeted project design and implementation¹.

In this light, this MSA looks into the poultry sector in the Amhara and Sidama regions to identify the key market constraints to both SME growth and the creation of more and better jobs for women. Based on this analysis, a series of practical, evidence-informed interventions have been identified to address those constraints, enhance market and SME growth and create more and better jobs.

The poultry sector is characterised as largely uncompetitive, completely domestic-oriented and more reliant on egg production than meat production. More than 90% of Ethiopian producing chickens are indigenous breeds, which are common in household farming and have mortality rates in excess of 70% and much lower productivity potential – producing about one-fifth to one-third of the number of eggs of imported breeds². While the sector has seen steady growth over the last 15 years, in part due to entry of commercial businesses, growth has been much less impressive than that of the potential consumer base of the emerging Ethiopian urban middle class. This is large part due to increases in feed costs, which typically make up about 70% of the cost in poultry production.

In looking at the role of women in the sector, several key challenges prevail. For starters, about four in five household poultry farmers are women, but they are rarely found owning or managing more commercial, small and medium-scale poultry farms. Their work in poultry farming is usually done on top of their already demanding household work, which makes it difficult for women to shift from being part-time poultry farmers looking

for a supplementary income to more productive, commercial farmers that can earn a solid income with poultry farming being their core business.

In view of the sector's poor competitiveness and the relative inability of women to progress to more productive roles, this analysis has flagged that **high input costs**, a **lack of opportunities to graduate from household to commercial farming**, and **poor sector investment policy** are the three most pressing issues. These issues are limited by a series of market constraints, which include: **feed input supply shortages**, poor **animal health services**, poor orientation and unavailability of **extension services and business development services**; poor **access to finance**; **foreign currency controls**; **import duties and taxes**; poor **sector coordination** and limited **sector regulations and policies**.

While not all constraints can be addressed in this project, this assessment has identified eight practical intervention ideas. These interventions intend to cut key input costs and enhance opportunities for female farmers, such that the sector can transform from being traditional, to more commercial and competitive. If done inclusively, this transformation can serve as a pull to create more and better jobs for women. In this regard, the interventions are concentrated in three key areas:

1. **Reduce costs to input supply** by addressing key input cost drivers in day-old chicks and feed production;
2. **Enhance commercial orientation of semi-intensive female farmers** through better targeted extension services, business development services and access to finance; and
3. **Support sector investment policy** to make it easier for new entrants, and in particular women, to get into commercial poultry production as well as produce raw materials for feed, to address key feed input shortages.

1 The study was commissioned by the ILO ProAgro Ethiopia project. It received inputs from Ruchika Bahl and Meseret Shiferaw from ProAgro project and several other Specialists from different technical units in ILO.

2 FAO. 2019. *Poultry Sector Ethiopia*. FAO Animal Production and Health Livestock Country Reviews. No. 11. Rome.

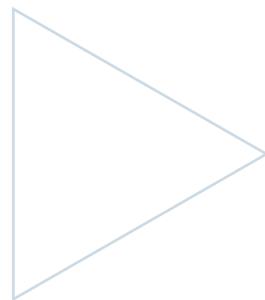


Notes

On confidentiality. All data collected through primary research have been made anonymous so that individuals cannot be identified. Instead, we refer in generic terms to ‘interviewee(s)’, ‘informants’ or ‘respondents’.

On study limitations. The study is largely developed based on the perceptions and opinions of key sector stakeholders. Although information was triangulated by different sources where possible, it is recognised that not all opinions and perceptions could be cross-checked and validated.

On the views and opinions. The views and opinions in this assessment are those of the authors and not of the International Labour Organization or its country office in Addis Ababa.



1 Introduction

1.1 Project introduction

The ProAgro Ethiopia project has been funded by the BMZ Special Initiative on Training and Job Creation to support Ethiopia to develop its agro-industry potential and create more and better jobs. To do this, the project will work on a portfolio of initiatives that support the development of employment policies at a macro level, address key bottlenecks in agro value chains, and enhance access to finance, worker skills, cooperatives, entrepreneurship and the enabling environment.

One of the first tasks of the ProAgro Ethiopia project's inception phase is to conduct market systems analyses on three selected sectors: fruits and vegetables, poultry and edible oils³ for the Amhara and Sidama regions. This market systems analysis (MSA) unpacks the poultry market, its key constraints and the root causes to those constraints. The analysis has been conducted by building on the extensive research conducted in Ethiopia on poultry as well as through conducting field research interviews with key stakeholders in government, coordination bodies and cooperatives, key development actors, the private sector and farmers.

The end result of this MSA is to provide the ProAgro Ethiopia project with potential intervention ideas that can address key market constraints and have a high potential to deliver more and better jobs, with a particular target of SMEs and female workers in the Amhara and Sidama regions. The interventions will form an initial implementation departure point for the ProAgro Ethiopia project and will be structured in a way that will put local actors - both public and private - in the lead and in a position to continue the delivery of interventions even after the project has finished - enhancing project sustainability.

1.2 Study purpose and scope

This analysis sets out to understand the project's target group - female and male farmers, workers and small and medium enterprises (SMEs) - in the context of the poultry sector in Amhara and Sidama. Given the project focus, the analysis has delved into key implementation areas that influence the sector, including access to finance, skills, cooperatives, entrepreneurship and the enabling environment.

³ Sectors were selected through a sector selection study completed in November 2020.

The sector scope includes both poultry broiler (meat) production and egg production. While markets for the end products of both are different, the challenges facing both egg and broiler production are similar enough to where they should be considered alongside one another. Additionally, this assessment will touch on non-commercial “backyard” poultry farming as it has a substantial presence in Ethiopia. However, sector transformation and engagement with SMEs will not happen to any scale through work at the “backyard” level, and thus, the core focus of the study is commercially oriented poultry production.

While this analysis provides a strong departure point for the project, it is recognised that markets change over time and the project should periodically conduct minor follow-up analyses or action research initiatives to continue to remain current in a fast changing market. This will be particularly important in consideration of the rapid pace of Ethiopia’s development and re-emergence of the economy from COVID-19.

Box 1: What is a market system?

A market system is the network of actors and factors that interact to shape the outcomes of an exchange. Imagine a farmer selling chickens to a trader in a local market. The quality and quantity of that exchange is determined by the farmer’s knowledge of modern farming methods (‘factor’) obtained from extension agents (actors); as well as access to finance from banks, and productivity-enhancing technologies available in local retail stores. A similar web of factors and actors could be applied to workers ‘selling’ their labour in a factory; for example, skills acquired from training institutions, or regulations governing overtime.

In market systems jargon, these ‘actors’ are known as market players. ‘Factors’ are split into:

- *Supporting functions.* The context- and sector-specific functions that inform, support and shape the quality of exchange; such as information, skills, infrastructure, finance and access to markets.
- *Rules.* The legislative and regulatory environment, including policies, voluntary standards and social norms that guide day-to-day attitudes and conduct.

From ILO the Lab brief “Policy Brief: A Systemic Approach to Creating More and Better Jobs”, 2019

1.3 Study methods

The research was carried out in two phases:

1. **Desk research:** Available literature was gathered to provide a framework for the primary data collection process. This included review of national laws, sector data and market trends as well as research and analyses on the sector conducted by other development agencies and research institutions.
2. **Field research:** Primary research was conducted in Addis Ababa, Bahir Dar, Gonder, Kinzila, Hawassa, and Yirgalem during the three weeks of February 2021. During this stage, a total of 28 businesses and organisations were interviewed. The interviews were semi-structured and conducted with government officials, producer associations and business owners, non-governmental organisations, farmers and key industry informants (see Annex A for details). The interviews provided an in-depth picture of the sector from a diverse set of actors and opinions.

The research is based on the methods of ILO’s *Value Chain Development for Decent Work* guide⁴ and the *Market Systems Analysis for Decent Work: A User-friendly Guide*⁵. Results were validated through triangulation of data and methodologies. This means the research uses different types of data (i.e. primary and secondary) and multiple methods (e.g. observation, surveys).

The project validated the study findings at a validation workshop attended by the ILO’s tripartite partners and relevant stakeholders. Here, more than 30 participants discussed the findings and identified suggested changes, which have been taken into consideration in the final revision of this report.

4 International Labour Organization: [Value Chain Development for Decent Work – How to create employment and improve working conditions in targeted sectors](#) (2021).

5 International Labour Organization: [Market Systems Analysis for Decent Work: A User-friendly Guide](#)

1.4 Report structure

The report first provides an overview of the poultry sector, how the sector has developed over time and how the various interactions along the value chain impact the programmes target group (Section 2). It then looks at the market system, its key constraints and their possible root causes (Section 3). The analysis findings are then used to

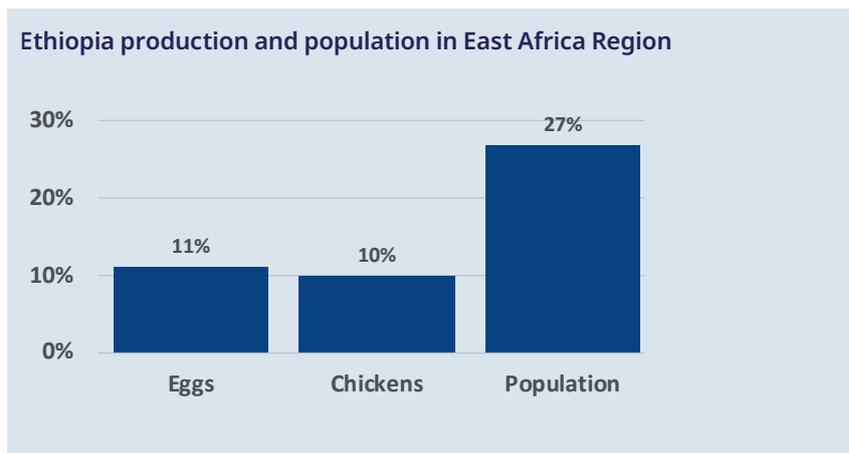
develop a project strategy, which includes an assessment of the incentives and capacity of market actors to intervene in the market and identification of potential interventions which could help address the identified root causes in a sustainable way (Section 4).



2 Sector Structure

2.1 Market Overview

The market for poultry can be characterized as one with low productivity, high cost and very little domestic consumption. Starting with productivity, Ethiopia's poultry industry is dominated by indigenous breeds - about 91% of all chickens are characterised as such. While these breeds are resilient against disease, naturally camouflaged to protect against predators and adapted to a scavenging diet - all of which is important to less-commercial, backyard production - they are not as productive as imported breeds. Despite composing just 9% of the bird population, imported breeds account for 27% of the egg production⁶, and they take about half the time to reach a stage where they are ready for meat processing⁷. As an end result, the productivity of Ethiopian poultry is about 40% of the global average and about two-thirds of neighbouring Kenya's productivity⁸. Ethiopia produces much less than its East African neighbours relative to its population (see graph below⁹).



6 FAO. 2019.

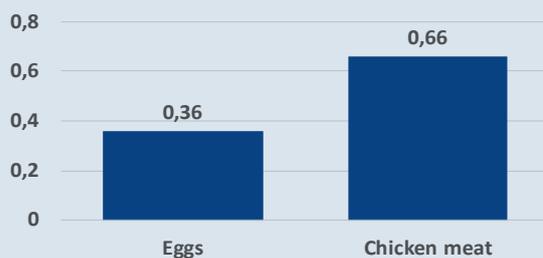
7 Food and Beverages Processing and Auxiliary Industry Strategy, EIC, 2020.

8 Food and Beverages Processing and Auxiliary Industry Strategy, EIC, 2020.

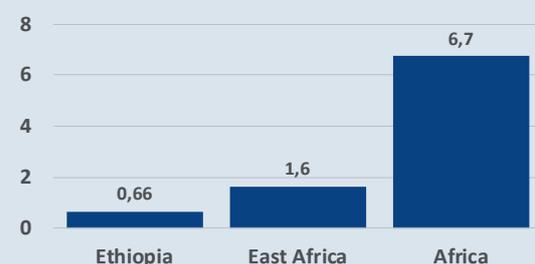
9 Figures for 2019, calculated from FAOStat and WorldBank Data. Accessed 19 March 2021.

Another contributing factor to low productivity is that most of Ethiopia's poultry farming is done at the rural household level where it is not the principal income generating activity. For example, in Amhara, estimates suggest that between three-fifths and three-quarters of rural households have poultry¹⁰. However, for the households that have chickens, 82% have less than 10 chickens, and just 0.2% own more than 50 chickens¹¹ - a size considered to be sufficient for commercial production.

Ethiopia's poultry consumption (kg/person/year)



Poultry meat consumption (kg/person/year)



Low productivity clearly has an impact on cost, but compounding this is that feed, the key input in poultry production, is extremely expensive. Feed makes up about 70%-75% of the chicken farm gate cost¹², and as of 2020, the cost of feed in Ethiopia was more than twice that of the global average or that in South Africa¹³. This issue is becoming more problematic as a number of stakeholders indicated that feed costs had increased substantially in the last year due to an input shortage, principally soy and nuge cake. As a result of this and other cost drivers such as import costs for day-old chicks and losses throughout production, prices for chickens at the farm are about 50% higher than those in South Africa and about three times more than those in Brazil¹⁴.

Low productivity and high costs have two negative implications. Firstly, Ethiopia is largely not competitive on the export market and it seems unlikely that it will export more than very minor amounts at any stage during the ProAgro Ethiopia project. Secondly, local consumption is very low - standing at less than 10% of the average per capita chicken meat consumption in Africa and the equivalent of about a half an egg per month per person (see graphs to the left)¹⁵. Another contributing factor to relatively low consumption is that chicken rarely features in Ethiopian cuisine, apart from in a traditional stew that is prepared infrequently.

While these are the principal challenges at hand, a series of additional constraints stand in the way of inclusive poultry sector growth and development. Some of these constraints include a lack of farm management skills, poor sector coordination, government regulation and strategy, imposed import controls and a lack of adequate animal health services. All of these are further unpacked in section 3.

10 Hailemichael, Aklilu, Berhanu Gebremedhin, Solomon Gizaw and Azage Tegegne. *Analysis of village poultry value chain in Ethiopia: Implications for action research and development*. International Livestock Research Institute. January 2016.

11 *Agricultural Sample Survey 2019/20 [2012 E.C.] Volume II: Report On Livestock And Livestock Characteristics (Private Peasant Holdings)*. Federal Democratic Republic Of Ethiopia Central Statistical Agency. March 2020.

12 From a farmer interview and verified through: Desalegn, Paulos. *Poultry Value Chain in West Amhara*. Agro-Business Induced Growth in the Amhara National Regional State. August 2018

13 Food and Beverages Processing and Auxiliary Industry Strategy, EIC, 2020.

14 Ibid.

15 Both rates are from 2013, and the rates along with the graphs are calculated from section 3.1.2 of FAO 2019.

Amhara

Amhara is the largest poultry producing region in Ethiopia. It has solid production conditions as about 60% of its area has sufficient moisture conditions for poultry production and it is home to about one-third of all of Ethiopia's chickens¹⁶. However, its poultry production is less commercially oriented as the region has just 20% of the nation's imported (or improved) breeds¹⁷.

Within Amhara, the Agro Commodity Procurement Zone Investment Plans (2020 - 2025) prioritise wheat and maize as commodities that will drive territorial development in South West Amhara. Poultry has also been flagged as a commodity of future importance alongside sorghum, dairy and honey.

Also critical to the poultry sector is the government's aggressive work to incentivise multi-million dollar investments from both domestic and international investors in oilseed processing in Amhara. This is important for poultry feed - a key cost driver in the sector's competitiveness



- as the by-product from oilseed production is oil-cake, which is one of the feed ingredients in short supply. Here, investors have recently built or are in the process of building three new multi-million-dollar oil processing factories - one of which included an investment valued at USD 100 million (see Table 1 below).

Table 1: Recent large-scale entrants into edible oil processing in Amhara

Processor	Location	Types of oil	Capacity	Status
Febela Edible Oil Factory	Bure IAIP, Amhara	Sunflower, niger seed, and Palm Oil	1.4M litres/day (60% of local demand)	Operational (with imported crude palm oil)
Richland	Bure IAIP, Amhara	Soybean	~90,000 litres/day	Operational
WA Edible Oil Factory	Debremarkos, Amhara	Sesame, niger seed, peanut and soybean	N/A	Under construction

Sidama

Sidama is Ethiopia's newest administrative region. It emerged as a result of a referendum held in November 2019 with official transfer of power from its former region, the "Southern Nations, Nationalities and Peoples' Region" (SNNPR) in June 2020. While some of the regional government continues on from its zonal function as former Eastern SNNPR, the regional government is still in the process of developing strategies and setting up the bureaucracy. Agro-industrial development in the region will be led and coordinated by the regional Industrial Parks Development Corporation (IPDC), who seem to be active and driven to ensure the success of investments made into the Yirgalem IP and RTC.

For Sidama, the FAO ACPZ study identified coffee & avocado as the lead commodities, as well as other prioritised commodities including poultry, pineapple, red meat, dairy and honey. Discussions with the Sidama Regional Investment Bureau confirm that the commercial development of the poultry sector is important and the government has set aggressive targets to increase the supply of day-old chicks and 45 day-old chickens by 10%-15% per year. According to the regional government, they will revise those aggressive targets upwards given the solid progress they have made to date.

In addition to being a priority in the region, poultry seems to be well positioned for sector growth. Throughout Sidama, the water conditions

¹⁶ Estimated based on Figure 5 of FAO 2019.

¹⁷ *Agricultural Sample Survey 2019/20 [2012 E.C.] Volume II: Report On Livestock And Livestock Characteristics (Private Peasant Holdings)*. Federal Democratic Republic Of Ethiopia Central Statistical Agency. March 2020.

are suitable for poultry production¹⁸, and Sidama has a higher proportion of “improved” chickens, standing at 30%¹⁹ compared to the national average of 9%. This indicates a more commercially-oriented and productive poultry farming base. That said, Sidama is still a relatively small player in Ethiopia’s chicken market - producing under 3% of Ethiopia’s total poultry²⁰.

Development actors

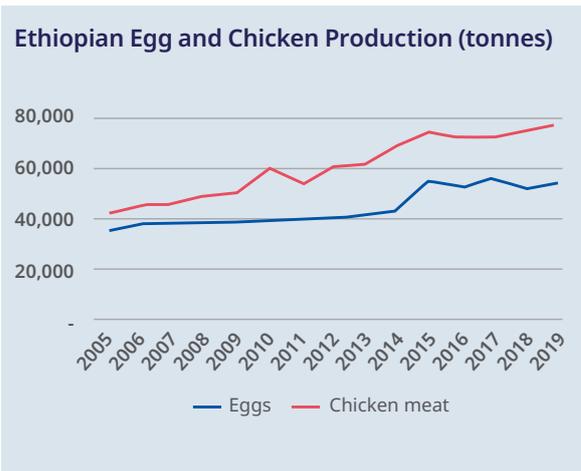
Donor-funded initiatives are quite active in the poultry sector, most notably the following projects support poultry initiatives in the Amhara and Sidama:

- ▶ AgroBIG is a EUR 10.3 million project based around Lake Tana, Amhara and targeting eight value chains, including poultry. The project, which is funded by the Governments of Finland (90%) and Ethiopia (10%) works with primary cooperatives and cooperative unions, youth and women groups, farmers, input suppliers, and government, among others.
- ▶ Save The Children has a programme in Sidama that distributes day-old chicks to organised youths to raise these chicks until they are fit to become layers. The NGO provides financial support and technical support through larger poultry farms and provides trainings on management.
- ▶ The World Bank has a project with the Sidama Regional Bureau of Agriculture.
- ▶ World Vision funds specific Sidama woredas (districts) to support the distribution of chicks to smallholder farmers, which includes training and follow up.
- ▶ Fintrac is implementing the USAID Feed the Future project which is active in Amhara in supporting extension services and farmer capacity building.

2.2 History and trends

A steady, but expensive growth

The last 15 years of Ethiopian poultry production can be characterised as steady and reliable growth - with egg and meat production growing by about 53% and 80%, respectively (see graph below²¹). As poultry and eggs are not exported and imports make up less than 1% of the value of all poultry meat (and eggs are not imported)²², national poultry consumption is more or less equivalent to its production. This indicates a steady poultry consumption growth. However, consumption still perhaps lags behind the potential growth that one might consider given Ethiopia’s rapid and continuous urbanisation and economic growth, its emerging middle class and changing consumer preferences.



One plausible explanation for a slower than expected uptake of poultry consumption is that the price of poultry has been increasing rapidly. Between 2006 and 2017, in Ethiopia, the prices in USD for eggs grew nearly 400% and the price for poultry meat more than 200%²³. Research did not identify what drove this price increase - perhaps increases in production costs or considerable gap between supply and demand. Production price increases are a probable cause as stakeholders indicated input prices had increased, particularly as of late. A considerable supply-demand gap was

18 Extrapolated from Figure 5 in FAO 2019.

19 Statistic from interview with Sidama Regional livestock department.

20 Ethiopia CSA Data March 2020.

21 Both data and text sourced from FAOStat. Accessed 18 March 2021.

22 Import percentage estimated based on average annual value of poultry meat imports (USD 1.2 million) between 2010 and 2019, and sourced from Observatory of Economic Complexity, 2021.

23 FAOStat.

reported as well, however, this has not necessarily led to higher producer profits, as various stakeholders indicated that the market for eggs was becoming uncompetitive.

Looking to the future, the poultry sector is expected to grow between 6-10% annually until 2025²⁴ - about twice the annual growth experienced over the last 15 years. This uptick in growth may be realistic, given the number of new commercial entrants which have come into feed production, hatcheries and farms which are now primed to produce, if conditions remain favourable.

Structural Transformation

More than 80% of Ethiopia's population lives in rural areas and their main source of income is agriculture. Despite recent developments, smallholder agriculture still remains unproductive. As a result, the Government of Ethiopia is pushing toward a long-term structural transformation agenda in agriculture - encouraging a shift from traditional subsistence farming to more productive commercial methods.

To support this, the government established the Agricultural Transformation Agency (ATA) in 2010, which is a strategy and delivery-oriented government agency with a mandate to improve the livelihoods of smallholder farmers. Besides ATA, the Agricultural Growth Program (AGP) was created to increase agricultural productivity and market access for key crop and livestock products in targeted woredas (districts) in four regions (Amhara, Oromia, Tigray and SNNP).

The regional governments of Amhara, Oromia, Tigray, and Sidama (formerly part of SNNPR) in collaboration with the federal government and development partners have developed Integrated Agro-Industrial Parks (IAIPs) in Bure, Bulbula, Beaker, and Yirgalem, along with accompanying rural transformation centres (RTCs) to channel supply of raw materials into the parks. The development of these agro-parks is meant to accelerate economic development, through linking agriculture with agro-industries, and the government is aggressively working to incentivise

multi-million-dollar investments from both domestic and international investors.

In line with this broader government agenda, the Ethiopia Livestock Masterplan 2015-2020 has set ambitious targets to move toward vast productivity increases. The strategy advocates for the development of the large-scale commercial poultry sector while also pushing the production of improved/exotic breeds and the phasing out of indigenous, scavenging ones. Development of the poultry sector is important relative to other livestock - one masterplan objective is to increase the proportion of poultry consumption relative to all meat consumption from 5% to 30% by 2030²⁵.

The newly released Ethiopia 10-year Perspective Plan has also identified poultry development as a major target. This includes supporting improved productivity and the commercialisation of the sector over the next 10 years to increase commercial egg output by about 150% and more than double poultry meat production.

Covid-19

Covid-19 has been highly disruptive to the sector since March of 2020. In the initial stages of lockdown, logistics disruptions and border closures seized up the import and access to input supply. As a result, the business climate has been tough, particularly on commercial farmers who rely on technical inputs (feed and vaccinations), larger factory based operations where people work in close proximity to one another and end-markets for restaurants and hotels.

As an indicator of this downturn, a major hatchery had to cull 650,000 day old chicks²⁶, a feed business lost about USD 1.2million in sales, and various small and medium egg layer and broiler producers lost between 20-75% of their sales²⁷. One hatchery indicated that it could not sell chicks for the first few months of Covid-19, which then had knock-on effects to egg and broiler production, meaning that even after the government lifted movement restrictions, the market had a limited supply of layers and broilers. Broiler demand from hotels and international airline also halted.

24 FAO 2019.

25 *Ethiopia livestock master plan Roadmaps for growth and transformation*. Ministry of Agriculture, Livestock Resources Development Sector. August 2015.

26 Berkhout, Natalie. *Covid-19: Millions of chicks destroyed in Ethiopia*. Poultry World. 04 August 2020.

27 *The Poultry Market System in Ethiopia: Challenges from COVID-19*. Agrilinks. 09 June 2020.

2.3 Role of the target group

The project's target group is both women and SMEs, and thus, intends to support SME growth as a vehicle for creating more and better jobs for women. This analysis looks at decent work and the role of women through the lens of SME development.

Decent work

Ethiopia adopted a substantial revision to its labour law in 2019²⁸, which several actors identified as being a big step toward the improvement of Ethiopian labour rights. The new law includes a range of provisions related to the right to organise, occupational safety and health, gender-based violence, maternity leave, severance pay and contracting, among others. It has strengthened the provisions for collective bargaining, which has recently been used to get companies to extend maternity and paternity leave, provide education grants and staff training and support staff with alternative income generating activities, among others.

While this framework has done much to advance labour rights and worker protections, three key short-comings include:

- ▶ **The law covers only formal employees.** While it is estimated that 70% of factory workers in food and beverage are formally contracted²⁹, workers in small-scale production and or in lower skilled factory positions are informal workers. Thus, the protections set-out in the law do not extend to the sector's most vulnerable.
- ▶ **A minimum wage was not established.** The proclamation did not set a minimum wage but indicates that a minimum wage should be regularly revised. In the two years following the adoption of the proclamation, a minimum wage has still not been set, meaning that

companies set wages, which were reported as extraordinarily low.

- ▶ **Weak enforcement:** So far, the government, which has been plagued by high leadership turn-over, has not been as active in enforcing the law.

Commercial feed companies, hatcheries and producers set basic starting wages that vary from ETB 600 (USD 15) per month to about ETB 2,400 per month (USD 60)³⁰. ETB 600 is the upper end of the tax-free employment income bracket in Ethiopia. Beyond this, companies typically provide allowances for transport and housing and provide a bonus, all of which are non-taxable benefits. The end result is a benefits package closer to ETB 2,150 (~USD 54) per month for lower skilled workers in most cases, about the same take-home wages that hired seasonal farm labour earn though less than half of Ethiopia's living wage³¹. One major poultry company indicated that its admin and finance staff earn about ETB 4,000 (USD 100) per month and skilled workers such as veterinarians earn about ETB 10,000 per month (USD 250).

On the farm, household poultry farming is done by the family, and usually falls under the responsibility of the woman. In these settings, poultry rearing is a supplemental income generating activity that boosts household incomes by around 30%³². It is thus hard to assess the working conditions of such work as the activity is more entrepreneurial in nature. Data on worker wages for commercial poultry farms was not available, however one farmer indicated that he pays his staff between ETB 1,000-1,500 (USD 25-38) a month plus covers all living expenses for a total benefits package of ETB 3,200 (USD 80) per month - exceeding pay in low-skilled commercial businesses.

28 Labour Proclamation No. 1156/2019.

29 As estimated by a representative from the Confederation of Ethiopian Trade Unions.

30 Key informant interviews with managers of textile and apparel factories in IPs.

31 Confirmed via interviews for lower-skilled workers.

32 Gebremedhin, B., Tesema, E., Tegegne, A., Hoekstra, D. and Nicola, S. 2016. *Value chain opportunities for women and young people in livestock production in Ethiopia: Lessons learned. LIVES Working Paper 24.* Nairobi, Kenya: International Livestock Research Institute (ILRI)

Women

Stakeholders identified very active female participation throughout the sector, particularly in household production where 80% of poultry management is done by women³³. This type of scavenging poultry farming is attractive for females as it can be done alongside their intense unpaid work at and around the house.

In unpacking this, women almost exclusively make the sales of both meat and eggs (over 80% of the time) and are just as likely to control those earnings or jointly control them with their spouse³⁴. This gives them some financial autonomy and often assures that the funding is well directed toward necessary household expenses, like schooling for children. Despite such an active role among women in production and sales, training on poultry production and marketing was delivered to only men in male headed households about 85% of the time³⁵. This clearly limits the ability of the women to become aware of and absorb higher productivity methods or adapt a more commercial angle to the business.

In looking to other parts of the chain, an informal estimate suggests that women make up about 30% of the poultry input supply workforce and 60% the processing and marketing workforce³⁶. Men are more commonly found in machine operating areas, but in general, women and men do the same tasks in the factory. The key issue here is that promotion prospects and wages are more favourable to men than women³⁷.

From a business ownership perspective, women are highly under-represented in larger-scale businesses in the poultry sector. They are, on the other hand, recognised as active as owners of small- and medium-scale farms which one stakeholder indicated were more successful and profitable than male led farms as women are more committed.

33 Hailemichael et al 2016.

34 Ibid.

35 Gebremedhin et al 2016.

36 Gebremedhin et al 2016 and confirmed anecdotally in interviews.

37 As indicated in an interview.

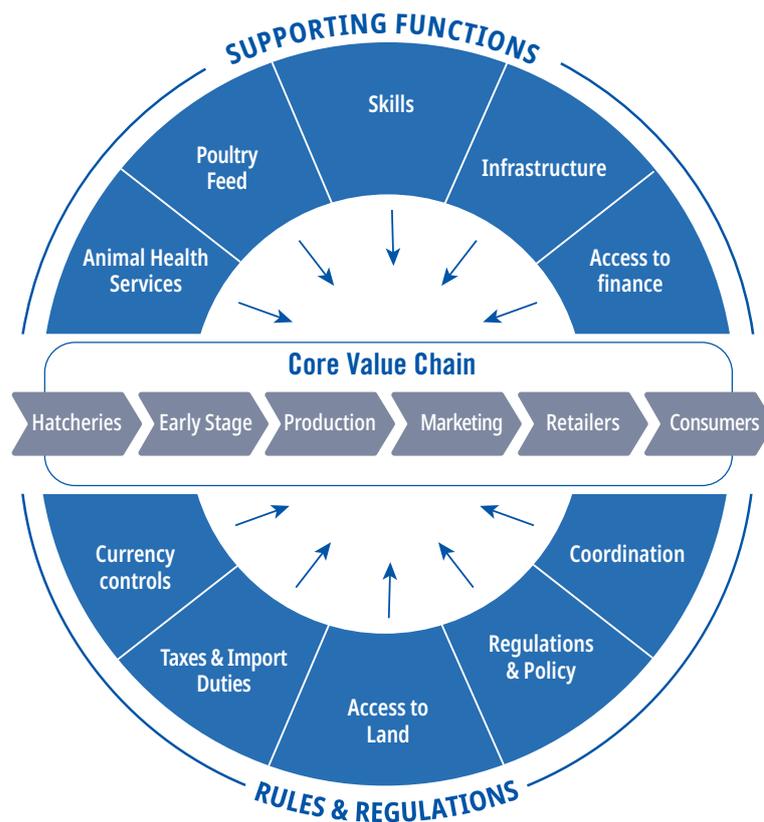


3 The Market System

The market system is the overall picture of how a sector operates. The market system includes the supply-demand transactions in the core value chain - from hatchery to producer to retailer to end consumer - and the 'supporting functions' and 'rules and regulations' that shape the way in which businesses and employees work in this core chain. The market system therefore takes a broader scope, because different actors in the value chain do not operate in a vacuum: their commercial success and well-being of the target group are influenced - directly and indirectly - by what happens in their surroundings. For example, access to financial services, which is a supporting function, does not directly operate within the poultry value chain, but strongly influences how businesses set-up, grow and operate.

Figure 1 shows an illustrative market system for the poultry sector in Amhara and Sidama. The figure includes a simplified value chain surrounded by the supporting functions and rules/regulations, which strongly influence and constrain market performance. Going forward, the sections on analysis (Section 3) and opportunities (Section 4) sharpen the focus on women and SMEs - the target beneficiaries of the programme - with a view to create more and better jobs.

Figure 1: The Poultry Market System

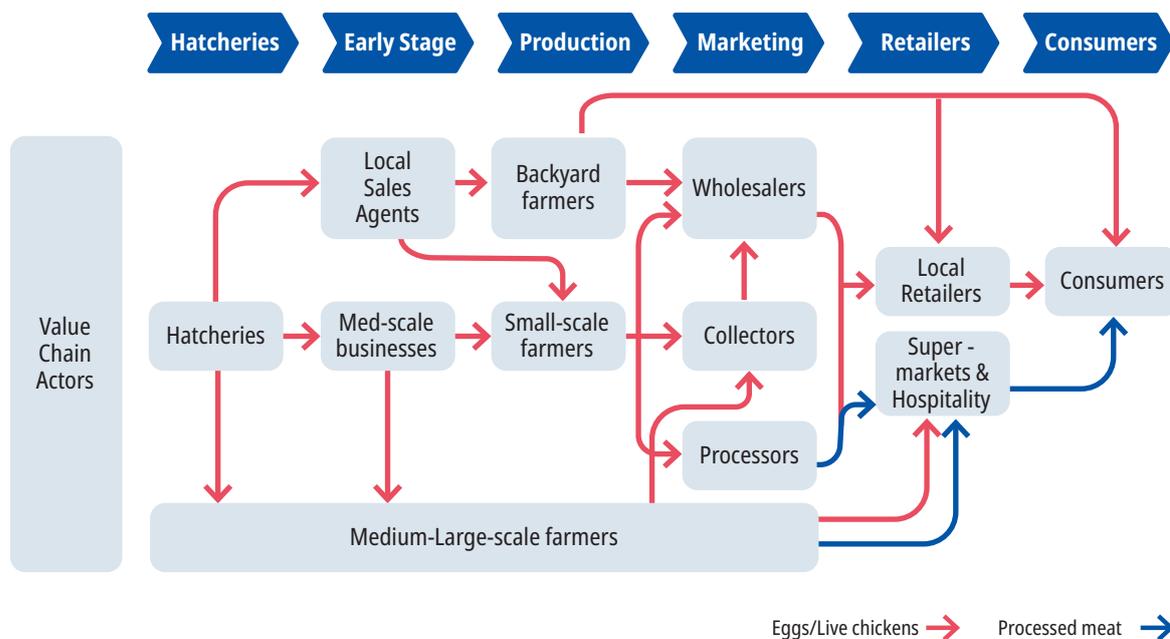


3.1 Core market

The discussion in the core market looks at each step along the value chain from producer to end consumer. The below figure provides a simple

representation of that productive chain, and the following subsections detail how each step functions and how it is constrained.

Figure 2: The Poultry Value Chain



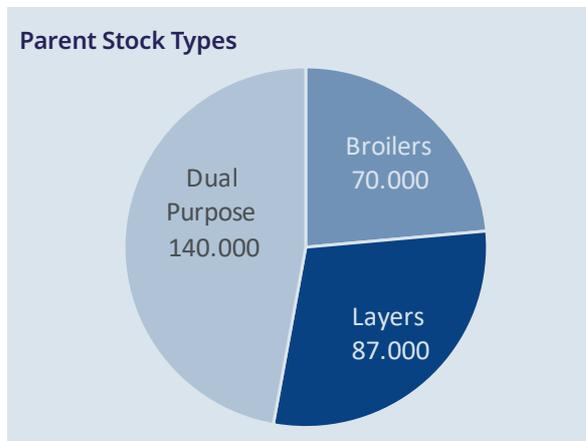
Hatcheries

A more productive and competitive sector starts with access to imported chicken breeds. Accordingly, the Ethiopia Livestock Masterplan 2015-2020 identifies the lack of proper breeds as the biggest constraint to the sector.

Imported exotic breeds are typically more productive (both in meat and eggs) and rearing periods for imported breeds are about half that of indigenous breeds. In Ethiopia and the regions targeted by the ProAgro Ethiopia project, a handful of companies own hatching and multiplication facilities for the production of day-old chicks (DOCs). The DOCs are sometimes reared on site where they are sold to commercially oriented farms or to a series of sales agents or businesses that take the DOCs to 45 days old.

Ethiopian hatcheries have parent stock for broilers (meat), layers (eggs) and dual purpose chickens (see graph to the right³⁸), all of which produce DOCs. Hatcheries import parent stock DOCs or

hatching eggs³⁹ from genetic companies often located in Europe and sometimes even Brazil. This parent stock is produced from grandparent stock which are housed at the genetic companies. One medium-scale hatchery indicated that it had about 2,000 parent stock, but that every 3-4 months it needed to replace 30% of the stock with fresh imports.



38 Graph developed from Factsheet Poultry Ethiopia. ENTAG. 2020.

39 FAO 2019. Poultry Sector Ethiopia: FAO Animal Production and Health Livestock country Reviews

The Ethiopia Investment Commission (EIC) and ATA indicated that having a parent stock multiplication centre (i.e. local grandparent stock) within Ethiopia would reduce the DOC price by 55%⁴⁰. While stakeholders indicated that several North African countries, Kenya and South Africa have grandparent stock, **the Ethiopia poultry market is about four times too small to make grandparent stock viable.**

Thus, for the foreseeable future, hatcheries will continue to import parent stock, which adds costs in several ways. One stakeholder identified that **importing hatching or DOCs results in a high mortality rate during the journey**, which increases cost. Hatcheries also flagged that their businesses faced an increasingly challenging climate to import parent stock, which is due to Ethiopia's **deteriorating availability of foreign exchange and its foreign currency controls**. One business indicated that imports of new parent stock stopped for various hatcheries for around 9-12 months last year. Then all the stock came in at once, meaning that there was suddenly over-supply to the market. This resulted in limited and inconsistent supply of DOCs to the market. The import controls also add cost considering the premiums that are paid to access foreign exchange and the duties that are levied on the imports.

Beyond those issues, hatcheries have been cited as having **poor management practices and low technical knowledge on hatching**, and thus function below international standards⁴¹.

Early Stage Production

In the Ethiopian poultry lifecycle, the first 45 days are key to survival. Here, it is important for the chicks to receive a series of vaccinations and regular feeding, which keep healthy production on track while reducing mortality rates. Once they reach 45 days, they are then sold onto farmers ranging from household to large-scale size.

While hatcheries often raise chicks until they reach 45 days, many hatcheries have decentralised this activity to rural-based agents and SMEs as a means of gaining rural market visibility and penetration. These businesses receive a stock of DOCs at one time, then raise them for 45 days, sell them off and then look to receive the next stock - different ages cannot be housed at the

same location. In this model, DOCs with vaccine and feed pack can be sold for as little as 73ETB (USD 1.80) and sold on at 100ETB (USD2.50) after 45 days - albeit with costs associated with the feed, vaccinations and some mortality.

For distribution, hatcheries and medium-scale early-stage businesses sell direct to commercial farmers, who collect the birds on site⁴². For distribution to small-scale farmers, early-stage agents sell at markets, village poultry day or through the agriculture office given the government priority to push backyard poultry production to a more commercial size of at least 25 chickens.

Several actors participating in or familiar with the scheme indicated that this was a fast-growing market, that can be quite profitable and has created rural employment opportunities for women and youth⁴³. One actor who participated in this activity in Amhara indicated that he had stopped rearing broilers because of limited market around Bahir Dar, but had continued with rearing layers.

Even though the market is rapidly growing, a number of challenges constrain this part of the chain and the productivity of the sector in general:

- ▶ **The altitude:** In Brazil a broiler will reach 1.8 kg - the weight at which it can be sold - in about 85% of the time it takes in Ethiopia. One stakeholder indicated that higher altitude slows down the growth process and increases mortality rates - both of which reduce productivity;
- ▶ **Vaccine availability:** While stakeholders identified vaccine costs as negligible, they indicated that their availability was a key constraint.
- ▶ **High feed cost** incentivises these early-stage businesses to cut corners on feeding the designated amounts and/or mix of feed, which slows poultry growth at a critical stage. This in turn, delays the time it takes for chickens to become full grown layers or broilers, and affects their overall health and productivity throughout their lifetime.

Production

Poultry production for both eggs and broilers is where the highest number of actors are involved in the value chain. Production can be characterised in two major segments: scavenging and

40 Food and Beverages Processing and Auxiliary Industry Strategy, EIC, 2020.

41 FAO 2019.

42 This is not the case for EthioChicken, which distributes chickens to rural areas for early stage production.

43 FAO 2019.

commercial, with the latter being broken down into semi-intensive, small, and medium/large

scales. The key characteristics of both these classes are summarised in Table 2 below.

Table 2: Ethiopian Poultry Producer Characteristics⁴⁴

Characteristic	Medium/ Large-Scale	Small-scale intensive	Semi-intensive	Scavenging
Size	> 1 000 broilers > 500 layers	> 200 broilers > 100 layers	50–200	<50
Market Demand	Urban	Urban/Rural	Urban/Rural	Rural or none
Breeds	Improved	Improved	Improved, cross or indigenous	Indigenous or crossbred
Poultry housing	Yes	Yes	Yes, of mixed quality	No
Feed	Balanced ration	Balanced ration	Scavenging or regular supplement	Scavenging
Mortality	< 20 %	< 20 %	20% < 50 %	>70 %

Scavenging production: The bulk of Ethiopia's poultry production is from household level scavenging poultry farms. This type of farming is characterised by low input and low output - owners rarely invest in feed, veterinary services, hired labour or dedicated housing and as a consequence, the productivity is very low and mortality rates high. The productivity of indigenous layers is estimated to be about one-fifth to one-third of that from improved breeds⁴⁵.

Despite being small-scale and relatively unproductive, this type of poultry farming can bring meaningful, relatively consistent income that can top-up a household's other income generating activities. Such activity can provide a supplemental income of around 30% to poultry owning rural households, and most of the time the farm management and production profits engage women⁴⁶.

For these types of farmers, key constraints that limit their movement to a higher productive farming model include **lack of awareness of improved poultry farming methods and the benefits of shifting to a more commercial oriented model, poor access to capital** to roll-out faster investment and **lack of skills** in more commercial production.



“Good input, good output.”

Commercial producer

Box 2: A push toward more productive household farming

EthioChicken sees household farming as a key growth market. As such, it works through local government extension officers to sell and distribute the imported Sasso variety to traditional, scavenging poultry farmers. The Sasso variety can serve as a layer or broiler and can survive on a semi-scavenging diet. The chicks are usually sold in a package (female and male chickens) for 162 ETB (USD 4.00) for the package and farmers use the layers for eggs while the males are sold later for meat. For these breeds, the mortality rate is 60% less and the laying production twice as much as traditional indigenous chickens.

Commercial production starts with as few as 50 chickens. The level of investment into high-productivity inputs like quality DOCs, feed, housing, feeders and drinkers, climate systems, ventilation and lighting for 16 hours per day increases with the size of the farm. One producer indicated that if you cut corners on the input, you get less product for your investment.

According to the Ethiopia Poultry Producers Associations, Ethiopia has at least 100 medium- and large-scale commercial farms, which are generally located in urban and peri-urban markets, with their numbers growing in Bahir Dar, Amhara and Hawassa, Sidama⁴⁷. While most of these farms produce their own feed, some of these farms like ELFORA and Alema are vertically integrated and do the whole line of activities: producing feed, importing day-old chicks, rearing them, processing

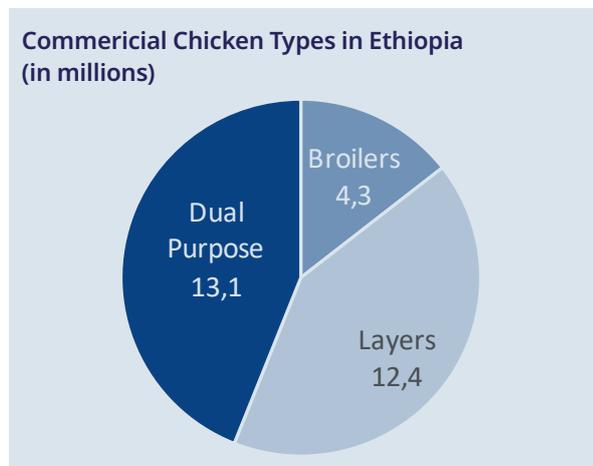
⁴⁴ Table adapted from Appendix 1 of FAO 2019. It should be noted that one stakeholder indicated another classification systems is small (<2,000 chickens), medium (2,000-5,000 chickens), large (>5,000 chickens).

⁴⁵ Hirvonen, Kalle, Kaleab Baye, Derek Headey, and John Hoddinott. *Value chains for nutritious food: Analysis of the egg value chain in the Tigray region of Ethiopia*. IFPRI Ethiopia. October 2020

⁴⁶ Hailemichael et al 2016.

⁴⁷ FAO 2019.

and selling butchered broiler meat and table eggs (see graph below⁴⁸).



In terms of commercially-oriented farms in the target areas, one stakeholder estimated that Bahir Dar has in excess of 200+ poultry farms, most of which are small-scale. One male stakeholder indicated that large-scale farms are owned completely by men, although some women owned or managed small and medium scale farms, which anecdotally seemed more profitable.

Commercial producers identified several key issues, which constrain productivity:

- ▶ **Access to land:** Acquiring lands can only be done via lease from the government, which can be both complicated to attain and if granted, can be for as little as 15 years in urban and peri-urban areas (see Box 3). This can serve as a considerable disincentive for investments if the land may be repurposed after such a short period of time.
- ▶ **Sector coordination:** Several large-scale producers indicated that sector coordination was very limited and had achieved very little to advance the interests of commercial production.
- ▶ **Access to finance:** As identified in Box 3, investment into commercial farms can be quite substantial and finance plays a key role in determining the scale and level of commercialisation that a business can attain.
- ▶ **Quality 45-day old chicks:** Poor quality rearing from the early-stage producers impacts farm productivity.

- ▶ **Irregular consumer demand:** Producers indicated that fasting seasons by Orthodox Ethiopians, which occur about 30% of the year, have an impact on end market demand and market prices, which force them to take losses for considerable parts of the year.

- ▶ **High feed costs:** Given that this is between 70%-75% of the production costs - and increasing - it presents a key constraint to market off-take and thus business growth.

- ▶ **Lack of skills:** Producers and workers lack knowledge and skills on overall hygiene, upkeep and management of farms, vaccination, and medication requirements of poultry.

Box 3: Starting up a medium-scale commercial farming business

A medium-scale producer who started operations three years ago and has 2,000 layers and 2,000 broilers, recounted his story of starting-up the business. To start out, the producer purchased a 15-year land lease from the regional government, which cost 2.3 million ETB (USD 57,000) for the 0.5 Ha land holding. The next step was to invest into a 2,000 square metre shed, buy the necessary feeders and drinkers and then into 4,000, 45-day old chicks - the latter of which cost 600,000 ETB (USD 15,000). Private investors principally put up the capital to start-up the scheme, though 15% of the financing came from a microfinance institution. This is quite a level of initial investment for a business which employs just eight staff including one woman.

Marketing

After production, several channels exist to get broilers or eggs to market, and the methods depend on the producer size.

For **scavenging production**, households take both their eggs and live chickens to markets where they sell directly to consumers, retailers or wholesalers⁴⁹. Very few farmers sell eggs at the farm - only 6% in Amhara - and virtually no farmers sell eggs or meat to cooperatives in either Amhara or Sidama⁵⁰.

For **commercial production**, small-scale farmers sell their eggs to collectors at the farm, and as they generally do not have slaughtering facilities, they sell live birds as their final product⁵¹. These collectors add an intermediary cost without adding any

48 Ibid.

49 Hailemichael 2016.

50 Ibid.

51 FAO 2019.

value - costs have been cited at ETB 0.5-1.0 per egg, or around 8-15% of the final egg price⁵².

Medium and large-scale farms slaughter and pluck chickens, prepare them for freezing, and sell them directly to hotels, restaurants, supermarkets and mini-markets. For eggs, medium-scale farmers typically sell through collectors, whereas large-scale farmers sell direct to supermarkets or market vendors⁵³.

Despite lower operational and processing costs, Ethiopia's chicken meat price is not competitive in the global market, over 46% higher than the global market price⁵⁴. Hence, hospitality and supermarket buyers sometimes import chicken meat (mainly from Brazil) in Addis Ababa, as well as in Bahir Dar, Amhara and Hawassa, Sidama.

Retailers

Retailers are broken into two segments: local markets and supermarkets/hospitality. Local markets are where most Ethiopian consumers buy poultry products which are from indigenous chickens. This includes live birds and eggs that are sometimes sold on an individual basis. Higher value markets, such as supermarkets and mini-markets in Addis Ababa and regional cities sell both processed broilers and commercially produced eggs. Several stakeholders identified this higher value market as a key growth market and anecdotally more consumers in Addis Ababa seem to be buying broilers from supermarkets.

Restaurants targeting domestic consumers are very limited. Standing stalls for selling roasted and grilled chickens are almost non-existent in Ethiopia, contrary to common practice in neighbouring countries. However, such a market seems to be emerging as restaurants such as 'Chicken Hut', a local chain with retail outlets at various locations in Addis Ababa, are slowly introducing ways of preparing and consuming chicken meat other than 'Doro wot', the Ethiopian traditional stew.

Consumers

Ethiopian consumers present an interesting barrier to the growth and development of the poultry

sector. Currently, Ethiopian chicken meat and egg consumption is low - consumers eat about one-tenth of the chicken that an average African eats⁵⁵ and annual egg consumption in Amhara and SNNP are only about five and eight eggs per person⁵⁶. While this presents a considerable growth opportunity for market demand, some key challenges that stand in the way of that growth include:

- ▶ **Religious traditions:** Orthodox consumers do not consume animal-based products for about one-third of the year - largely in extended periods before both Orthodox Christmas and Easter, which severely disrupts demand for fresh chickens and eggs. In addition to temporarily seizing up the market, prices for eggs drop-off by about 30% from peak prices⁵⁷.
- ▶ **Culinary tradition:** Apart from featuring in 'Doro wot', the Ethiopian traditional stew, poultry meat does not feature in traditional cuisine. As one stakeholder indicated, commercial broilers are just for hotels with international guests.
- ▶ **Preference for indigenous breeds:** Consumers prefer to buy eggs from indigenous chickens and live indigenous birds that are technically less productive than improved chickens - they pay USD 9-10 for a 1.5-1.8kg live bird instead of the USD 4-5 per kg for a butchered, cleaned and frozen bird⁵⁸. This has two key effects: 1.) it slows the diffusion of improved poultry breeds; and 2.) limits sector value-addition opportunities.
- ▶ **Cost:** Given that a live bird costs USD 9-10, and that farmers typically earn a total benefits package of between USD50-80 per month, the cost of poultry is out of reach for most Ethiopian consumers. Eggs are considered as one of the cheapest protein sources, but still are about five times more expensive per calorie than wheat⁵⁹.



“Eggs cannot be kept from more than 21 days without going bad, a reliable market is essential.”

Commercial producer

52 Prices based on Hirvonen et al 2020.

53 Paragraph informed from producer interviews and FAO 2019

54 EIC & ATA, Food and Beverages Processing and Auxiliary Industry Strategy, 2020

55 Consumption rates calculated from section 3.1.2 of FAO 2019.

56 Hirvonen et al 2020.

57 Hirvonen et al 2020.

58 FAO 2019.

59 Hirvonen et al 2020.

3.2 Supporting functions

Animal Health Services

Animal health services were repeatedly flagged by stakeholders as a key constraint to the poultry industry. Diseases cause high mortality - more than 70% for backyard farmers and up to 50% for small-scale farmers - and can also reduce egg laying capacity. One medium-scale farmer indicated that his layers produced around 25-30% of their capacity this past year due to a disease. Amhara is disproportionately impacted by disease, perhaps due to the lack of commercial farming in the region. In 2016, Amhara had a poultry population of 20 million but lost 14 million birds due to disease⁶⁰.

The National Veterinary Institute is the only vaccine producer in Ethiopia, producing 16 livestock vaccines. At the local level, every woreda (district) has a veterinary clinic and about one in three kebeles (villages) has an animal health services post, where diseases should theoretically be diagnosed and treated⁶¹.

Despite having a reasonable outreach of animal health service providers, these are severely lacking for the following reasons:

- ▶ **Poor capacity providers:** Sidama reportedly has 700 animal health service providers, however, they are poorly equipped and do not have the necessary skills to test for and diagnose diseases.
- ▶ **Few laboratories:** The entire south of Ethiopia has just one laboratory (in Wolaita Sodo) and none exist in Sidama which is important for early identification of diseases to alert authorities and react.
- ▶ **Difficult to import vaccines:** Businesses identified that it can take up to three years to import and register a vaccine. These stakeholders felt that the vaccines were not registered quickly because NVI makes money from being the only vaccine provider and operates as a government monopoly.
- ▶ **Limited quality vaccine supply:** As a result of the reported NVI monopoly, actors indicated that vaccines are low quality and some key vaccines are not offered - such as for Fengil disease.

- ▶ **Lack of farmer awareness** on the necessity of vaccines.
- ▶ **Insufficient infrastructure** such as cooling, storage and proper transportation can limit both the vaccine stock housed as well as the length of time that it can remain suitable for use.
- ▶ **No producer mapping system** to track and contain disease outbreaks before they become widespread and damaging.
- ▶ **Poor coordination** between animal health institutes. For example, the NVI, National Animal Health Diagnosis and Investigation Center (NADIC) and Epidemiology at the MoA conduct the same health assessments but do not divide work among one another.

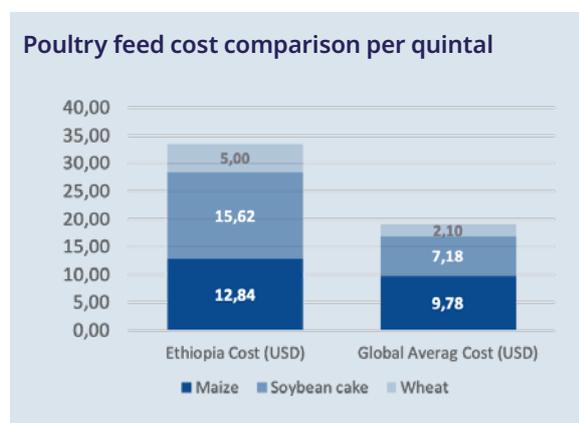


“Sometimes it takes you 1 to 2 years to register a vaccine”

Hatchery

Poultry Feed

Commercially oriented producers are heavily reliant on concentrated, specialized poultry feed⁶² and stakeholders repeatedly identified its lack of quality and affordability as one of the most considerable barriers to both sector growth and competitiveness. Poultry feed, which makes up about 70% of production costs, requires a particularly precise formulation, and if this is not properly used and rationed out, poultry farming can become less productive⁶³.



60 FAO 2019.

61 Ibid.

62 VCA Poultry, USAID - Feed the Future Ethiopia, 2017.

63 VCA Poultry, USAID - Feed the Future Ethiopia, 2017 citing “USDA GAIN, June 2017, Ethiopia’s Demand for Chicken Meat is Expected to Grow”.

The most common poultry feed ingredients include cereal grains (60%), milling by-products such as wheat shorts and middling (10%) and oilseed cakes (23%) and a premix (7%)⁶⁴. The figure on the previous page shows a comparison of the costs for key poultry feed ingredients versus the global averages (though does not include premix) and shows that the principal ingredients are collectively about 75% more expensive in Ethiopia⁶⁵. As feed costs represent 70% of production costs, if feed input costs were brought to a level equal with the global average, the cost of Ethiopia commercial poultry production would drop by 30%.

Poultry farmers and feed producers identified a rapid increase in the market price of poultry feed over the last few years. Last year alone, the feed price increased by ETB 200 - 300 (USD 5-7.50) per quintal. In February 2021 in Amhara, stakeholders indicated that the feed price per quintal had recently increased from ETB 1,200 to between ETB 1,300 - 1,400, which was similar to the feed price offered by a major feed supplier cooperative union in Sidama.

A number of the key factors which have driven up the cost of feed and in turn reduced the sector competitiveness include:

- ▶ **Supply-demand mismatch:** The feed supply is not sufficient for the demand. As one estimate suggests, the annual unmet feed demand is in excess of 120,000 metric tons⁶⁶.
- ▶ **Shortage of raw materials:** Rises in domestic maize consumption, competition for raw materials among other feed industries and raw materials exports have put a squeeze on feed supply, which has pushed local prices up in major cereal crops and oilseed cakes. In some cases, businesses export raw soybeans at a loss **to generate foreign currency** further exacerbating the shortage.
- ▶ **Lack of domestic premix production:** Pre-mix, a key ingredient in concentrated feed formulation, is imported from abroad entirely. A handful of importers operate in a market that is severely **constrained by shortage of hard currency**, leading to an oligopolistic market structure and price hikes.
- ▶ **Taxation:** Despite a recent removal of VAT on poultry feed, 15% VAT on imported supplements and 53% import tax on premixes

and concentrates have been cited as factors driving up feed prices⁶⁷.

- ▶ **Little competition:** More than half of Ethiopia's feed production comes from one processor, meaning that the feed market functions with a monopolistic structure⁶⁸.
- ▶ **Poor electricity supply:** Poor electricity supply limits the operating hours of feed producing companies or causes them to operate on expensive diesel generators, which adds cost.

Skills

Skills have been flagged as key issues in several parts of the sector. At the hatchery level, businesses have poor management practices and low technical knowledge. For early-stage producers, they often lack animal health knowledge that is required at a crucial vaccination stage. Commercial producers and workers generally lack knowledge and skills on overall hygiene, upkeep and management of farms, vaccination, and medication requirements of poultry. Larger businesses whether in feed, hatcheries or commercial production, identified extensive skills needs across the board, even in areas like finance or marketing.

A lack of poultry expertise in animal health services is a key constraint. One stakeholder indicated that **veterinary students have 5-6 years of veterinary courses, but just four credit hours on poultry production**. While these courses provided a technical base, recent **veterinary graduates still needed upskilling** before they were market ready to work in commercial producers or as early-stage producers/sales agents.

More broadly, businesses indicated that **university training is too theoretical and lacked a hands-on component** to prepare students for the workforce. As a result, one business with 1,500 employees indicated that it trained its entire staff, most via peer-to-peer training. They also sent some higher skilled workers abroad for training from their suppliers, as the **commercial market is still too small for higher-skilled specialised training**. The resource investment into training can become expensive given that some medium and large-scale commercial businesses reported high staff-turnover.

64 FAO 2019 and Food and Beverages Processing and Auxiliary Industry Strategy, EIC & ATA, 2020.

65 Calculated from figures in Food and Beverages Processing and Auxiliary Industry Strategy, EIC & ATA, 2020

66 Food and Beverages Processing and Auxiliary Industry Strategy, EIC & ATA, 2020.

67 FAO 2019

68 Food and Beverages Processing and Auxiliary Industry Strategy, EIC & ATA, 2020.

At the farm level, government **extension services target scavenging production** and provide **little support to graduate to more intensive and commercial production**. Furthermore, **extension service training generally targets knowledge transfer to men instead of the women that manage the farm**. While just 2% of men in male-headed households manage poultry production, men received poultry production training without their spouses 85% of the time.⁶⁹ This provides a serious barrier to women becoming more productive.

Beyond adequate extension services, farmer graduation to more intensive poultry farming also requires a re-orientation of the business. This will require a different set of skills, including **business development services, which are largely lacking, particularly for rural women** who could benefit most from them.

Infrastructure

Poor quality infrastructure, particularly relative to electricity, transport and cold storage, adds product costs and can incur product losses at each step of the production chain.

- ▶ **Erratic electricity supply** has a disruptive effect on incubation at hatcheries as producers need continuous heat to hatch eggs. Also, producers need quality lighting to rear chicks properly and ensure that they remain productive⁷⁰. Commercial producers depend on generators which adds production cost. New oilseed processing plants in Amhara cannot operate at full capacity due to insufficient electricity supply, limiting the production of oilseed by-product which goes into feed.
- ▶ **Transport** vehicles with the necessary cold chain facilities for transporting meat are in short supply and thus, their use comes at a premium⁷¹.

Positive developments in this regard include the Rural Transformation Centers (RTCs) that are close to being operational in both Amhara and Sidama regions. RTCs will be equipped with aggregation facilities for poultry and cold storage for eggs.

When construction work is fully completed, and ownership is transferred to qualified operators, it is expected that each region will have up to 3 RTCs linked to the Bure and Yirgalem agro-industrial parks.

Access to Finance

Access to finance supports business growth and can help businesses enter the poultry market and existing businesses scale-up faster. For poultry SMEs, capital is needed to purchase machinery and equipment including drinkers, feeders, brooders, build housing infrastructure and cover other start-up costs⁷².

In Ethiopia, financial services are provided through an array of providers (see Box 4⁷³). The state-owned Commercial Bank of Ethiopia (CBE) and 16 private commercial banks provide regular banking services, while a dedicated public policy lending bank - the Development Bank of Ethiopia (DBE) - primarily lends to prioritized sectors, including agriculture.

Box 4: Access to finance by numbers

- 18 banks (16 private and 2 public)
- 18 insurance companies (17 private)
- 41 microfinance institutions (13 private, 11 public, and 17 NGOs)
- 6 Capital Goods Financing/Leasing companies (5 public, 1 private/foreign)
- 19,000 Saving and Credit Cooperatives
- ETB 271.2 billion (USD 6.75 billion) dispersed by banks in fresh loans in 2019/20
- 9.2% of the loans went to agriculture

While the share of loans disbursed by banks to agriculture increased by 38.5% in 2019/2020 from the previous year, it still remains under 10% of total loan disbursement - low relative to the importance of agriculture in terms of employment (~80%)⁷⁴ and contribution to GDP (32.7%)⁷⁵. At practical level, entrepreneurs, farmers, and cooperatives find it difficult to borrow from banks for reasons related to both the supply and demand of loans.

69 Gebremedhin et al 2016.

70 Food and Beverages Processing and Auxiliary Industry Strategy, EIC & ATA, 2020.

71 Food and Beverages Processing and Auxiliary Industry Strategy, EIC & ATA, 2020.

72 VCA Poultry, USAID - Feed the Future Ethiopia, 2017

73 NBE Report 2019/20 for data on banks and MFIs, FCA 2020 data for SACCOs

74 Various sources

75 NBE Report 2019/20

The supply side:

- ▶ **Banks view agriculture as highly risky**, a view that is reinforced by the highly publicised failure of large volumes of agricultural loans made by the Development Bank of Ethiopia. Some banks have expressly indicated that they do not view poultry business as bankable due to the high level of risk involved⁷⁶.
- ▶ The banking sector **is closed to entry of foreign banks and thus, its liquidity constrained**. Hence, banks tend to be very selective in lending, and most of their credit is channelled to businesses that offer collateral worth 100% or more of the loan value.
- ▶ **Many banks lack the experience and knowledge of the agricultural sector**, which makes it difficult to properly assess and measure the risk and benefits of financing actors in the sector. This perception results in asking for very high interest rates on agricultural loans.

The demand side:

- ▶ **Farmers, cooperatives, and entrepreneurs lack knowledge and skills in developing business plans** and putting in place financial management practices that help them qualify for loans.
- ▶ **Farmers and MSMEs often lack physical collateral** that can be pledged against the loan. This is especially true for women entrepreneurs interviewed during the field research. Land is provided on a leasehold basis (commonly short recurring leaseholding arrangements for small poultry producers) which makes it unacceptable for banks as collateral. Poultry enterprises also do not usually employ high value fixed assets (machineries and equipment) that can be pledged as collateral.

Apart from formal banks, the Savings and Credit Cooperatives (SACCOs) are informal service providers funded by a membership base of over 2.9 million (46% are women), which dispersed ETB 3.9bn (USD 95 million) of fresh loans last year⁷⁷. The Amhara Credit and Saving Institution (ACSI), the principal MFI in Amhara, lent more than ETB 11 billion to agriculture as of Dec. 2020, which represented 40% of Ethiopia's MFI agriculture lending and over 50% of ACSI's portfolio. In poultry, ACSI and other Amhara based MFIs provide loans to

micro and small businesses through their group lending methodology.

Omo and Sidama, the MFIs operating in the Sidama region, disbursed 67% and 9% of their total loans to MSMEs in agricultural, respectively.⁷⁸ In poultry, youth and women associations reported accessing credit from Omo Microfinance institutions, however, they complained that **it takes too long to approve loans**. In some cases, it takes up to two years to obtain loans from the time they complete their application and fulfil their initial saving obligations (~10% of loan amount).

SMEs often fall outside of the lending offer - needing loans larger than MFIs or group lending methods can provide, but not having the collateral for larger size loans from more formal financial institutions. Recently established capital goods financing companies were created to close this gap, and play a key role in creating alternative means for SMEs - and potentially agriculture cooperatives - to obtain machinery and equipment for agricultural production and processing. In Sidama and Amhara, South Capital Goods Financing and Walia Capital Goods Financing Companies are active capital leasing companies, respectively. South has so far leased 2,000 machineries worth ETB 60 million (1.5 million) to 600 enterprises and Walia has leased close to 8,300 machineries worth ETB 643 million (USD 16 million) to over 3,000 enterprises.

3.3 Rules and Regulations

Currency controls

A key challenge that permeates into every area of business is the limited availability of foreign currency (ForEx). As Ethiopia's ForEX reserves continue to fall, the Ethiopian Birr has depreciated against the dollar by as much as 28% in Nov 2020. To **defend the currency and protect the exchange rate**, the Ethiopian government imposes restrictions on currency exchanges to foreign currencies, which are needed to import goods. A recent report estimates that, although monthly imports total USD 900 million, the backlog of unmet ForEx demand could be as large as USD 3-5 billion and waiting times at banks for accessing foreign exchange are around four to six months.

⁷⁶ VCA Poultry, USAID - Feed the Future Ethiopia, 2017

⁷⁷ ILO Cooperatives Team, citing FCA database (2020)

⁷⁸ Association of Ethiopian Microfinance Institutions, MFIs Loan Distribution Data as of Dec. 31st, 2020

One major DOC importer indicated that it took between 6-12 months to get approval to convert ETB to foreign currency.

As a result of these protections, there is a persistent exchange rate gap between the formal and parallel market (25% - 30%), meaning that informal currency traders can put a premium of 30% on the exchange rate for the convenience of immediate exchange.

Interviewees confirm the seriousness of this challenge - it limits producer productivity, processor utilisation and adds substantial costs along the way, because it:

- ▶ Delays or prevents imports of essential inputs and products like day-old chicks and raw feed materials.
- ▶ Encourages businesses to export raw feed inputs like soybeans and sesame to generate ForEx (see Box 5), causing a shortage of feed inputs and driving up the local price for them.
- ▶ Leads to predatory/exploitative pricing of day-old chicks and feed given that few businesses can actually get ForEx.
- ▶ Creates an unfair advantage for foreign investors and other traders (e.g., exporters) that have access to ForEx.

Box 5: Exporting to Import

The principal business for many Ethiopian exporters is actually importing. Why is that? Ethiopian export businesses often take losses on uncompetitive exports as a means of generating ForEx that can be used to import products, and sell them at margins in excess of 200%. So while, exports are sometimes uncompetitive, it may still be worthwhile to export (by later selling imports).

Taxes and import duties

While the government has recently removed VAT from the end sale of poultry feed, import duties and taxes add substantial cost to the sector, particularly on feed ingredients - the largest cost driver. At the moment, import duties on feed inputs are around 15% with an additional VAT of 15%. However, feed premixes, an ingredient that has to be imported because it is not produced in Ethiopia, has a 53% import tax.

Access to land

The government's prioritization of poultry has not yet manifested itself in terms of supportive land allocation for feed and poultry producers. Access to land is typically one of the major constraints that poultry entrepreneurs face when investing into new operations - interviews with entrepreneurs suggest that obtaining land for initial investment and/or expansion is extremely difficult.

A recent study found that suitable land is generally not available for poultry entrepreneurs to purchase or enter into a long-term leasehold. Small-scale producers, in particular, have **short-term leasehold arrangements** on a recurring three to six month basis. This is especially true for urban and semi-urban land, where regional governments try to avoid giving out land to livestock businesses due to **health and environmental concerns**. While longer-term lands are generally granted in rural locations, poultry farms also need to be located near a city to have access to water and electricity.

It is relatively easier to obtain rural land, especially for farmers that are organised into youth and women groups. Regional governments provide land at low to no cost to groups of farmers for micro and small poultry production enterprises.

Licensing **requirements can also prevent land access for new entrants or small-scale farms**. For instance, in Sidama poultry producers with flocks of less than 2000 cannot obtain an investment license, which prevents them from lodging a request for land.

Obtaining an investment license appears to be seamless for foreign investors, even if obtaining land closer to Addis Ababa is a challenge⁷⁹. A foreign investor interviewed for this assessment described his experience of getting land from the regional government as very positive and welcoming.

Regulations and policy

One of the key pillars of the Ministry of Agriculture's Agricultural Policy Reform is greater private sector participation for the poultry sector's development. In this light, the MoA recently created a department for the commercialization of poultry sector, and is leading consultative processes to address issues and improve the enabling environment. The Livestock Master Plan also identifies targets and interventions to promote a shift

toward semi-intensive poultry production, however, some stakeholders criticize them as being overly ambitious or realistic.

Despite these recent efforts, the poultry sector still has regulatory and policy shortcomings. For example, poultry **processing currently lacks its own regulation** that segments out the private and government responsibilities in relation to production, processing and marketing⁸⁰. Additionally, the **government has yet to introduce a poultry specific investment incentive policy**. As a result, the regulatory and policy landscape is not conducive to poultry business operations or investment and such barriers prevent potential investors from financing poultry projects.

Domestic investors find regional government reservations in issuing land in urban and peri-urban areas unfriendly. **Regulations linking size of flock to investment licenses**, such as those discussed above for Sidama, seem to be putting new entrants into the business at a disadvantage.

Coordination

Strong coordination supports inclusive development. An active employers' association can ensure that stakeholders work together to lobby for and address key sector challenges. A functioning trade union can ensure that sector growth does not come at the expense of its workers. And effective rural primary cooperatives and cooperative unions can improve farmer productivity and market power.

The **Ethiopian Poultry Producers and Processors Association (EPPPA)** represents 90 medium-scale and 8 large-scale commercial producers. The association operates with the objectives of advocacy, capacity building and peer to peer experience exchange. The association funds its activities primarily through member contributions, but it has received financial support from the Netherlands Embassy through the Ethio-Netherlands Trade for Agricultural Growth (ENTAG) project. With the ENTAG project closing at the end of 2020 and the economic fall-out from COVID-19 reducing member capacity and interest to pay membership fees, **the association's organisational health looks quite weak**.

On the feed side, **Ethiopian Animal Feed Industry Association (EAFIA)** conducts policy advocacy on behalf of over 100 members that are engaged in supply of feed ingredients and feed, cooperative unions producing feed, and vertically

integrated producers with feed production operations. Interviewed stakeholders appreciated the strong advocacy role played by the association towards the lifting of tax on feed. The association continues to lobby for the introduction of investment incentives for feed crop production, and provision of land for the production of forage, maize, and soybean exclusively for animal feed inputs. However, **funding and financial capacity are too limited** to continue to drive these critical initiatives.

The Ethiopian Poultry Producers and Processors Association (EPPPA) indicated that it has banded together with EAFIA and the Ethiopian Milk Producers and Processors Association to try to work with the government to address the issue of rising feed costs. In addition to that, EPPPA indicated that they are working to lobby for the removal of VAT from eggs.

Despite their work, the EPPPA's members had a less optimistic view of its performance, citing it as "extremely weak" and with "no voice with the relevant parties". The key causes for its underperformance include:

- ▶ As is common in business membership organisations, **funding is limited**, and thus, **they do not have sufficient staff to fulfil functions that the industry needs**. This is a product of the **sector being relatively small with a small potential membership base** to draw from. As the association acknowledged itself, they do not have someone who can knock on doors and follow-up activities to make this more effective, and if a member needs to attend a meeting in Addis, he needs to drive there at his own cost.
- ▶ Members criticised the association for **lacking the ability to bring the right actors to the table** – they might get the approval from one ministry but when they take it to another for approval, it would get stuck because it was not in their interests.
- ▶ **The association has just two meetings a year** which was not sufficient to get the industry together to discuss emerging issues and coordinate among each other.
- ▶ One member indicated that the **government coordination between regional planning offices and national ministries is also poor**, making it difficult for a coordination body to actually have influence given the divergent opinions.

80 Food and Beverages Processing and Auxiliary Industry Strategy, EIC & ATA, 2020.



The Confederation of Ethiopian Trade Unions (CETU) indicated that two of the largest poultry businesses, ELFORA and Alema, have associations which have CETU membership. CETU also indicated that it has a good working relationship with those associations. However, discussions with a series of medium and large-scale businesses, indicated that trade unions played little role in their business or the sector in general. The **lack of trade union presence could be a product of the small, emerging, large-scale commercial side of the sector.**

In Ethiopia, smallholder farmers are organised into producer and marketing primary cooperatives and cooperative unions, as well as saving and credit cooperatives. Cooperative unions sit as an apex body over a series of producer and marketing (primary) cooperatives, adding strength to

the cooperatives, but also another “intermediary level”. While some cooperatives and cooperative unions in Sidama and Amhara actively produce feed - such as Elto Coop Union and Alema in Hawassa, primary cooperatives do not coordinate the production or marketing of small-scale or backyard production. This could potentially be due to the **lack of facilities to keep live poultry and eggs. Handling poultry products also assume a considerable risk relative to other agriculture produce**, as live poultry could catch disease and die in their custody and eggs are relatively perishable.

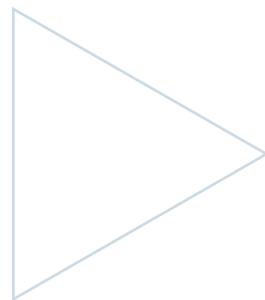
3.4 Constraints summary

The constraints identified throughout the above sections have been summarised in the below table:

Table 3: Constraints Summary Table

Constraint	Underlying Causes	Impact on market/decent work
Core Market		
Hatcheries	<ul style="list-style-type: none"> - Ethiopian poultry market is too small to support grandparent stock - High DOC import mortality - Poor availability of foreign currency - Poor hatchery management practices and technical knowledge 	Increases costs in DOCs which 1.) increases production costs; and 2.) slows the diffusion of more productive poultry farming to smaller-scale farmers.
Early Stage Production	<ul style="list-style-type: none"> - High altitude of production areas - Poor vaccine availability - High feed cost 	High mortality rate, increases costs for producers, and lowers producer productivity
Production	<ul style="list-style-type: none"> - Poor awareness of methods and benefits of commercial poultry farming; - Lack of technical skills for household and commercial poultry farming - Poor access to land - Poor sector coordination - Lack of available financing - Poor quality 45-day old chicks - Inconsistent consumer demand - High feed costs 	Poor productivity at the household and commercial farm level limits the sector competitiveness and its ability to grow, create jobs and improve farmer incomes.
Consumers	<ul style="list-style-type: none"> - Orthodox fasting traditions - Culinary traditions - Consumer preferences for indigenous chickens - Cost 	Causes peaks and troughs in demand as well as demand for less productive poultry, slowing the uptake of commercial production
Supporting Functions		
Animal Health Services	<ul style="list-style-type: none"> - Poor capacity health service providers - Few vaccine producing laboratories - Difficult to import vaccines - Limited quality vaccine supply - Lack of farmer awareness on vaccines - Insufficient infrastructure (electricity, cooling, transport) - No producer mapping to track outbreaks - Poor coordination between government health service providers 	Increases poultry mortality, increasing cost and reducing farm productivity and farmer incomes
Poultry Feed	<ul style="list-style-type: none"> - Supply-demand mismatch - Shortage of raw materials - Lack of domestic premix production - Lack of foreign currency - High taxation on inputs - Little competition in feed production - Poor electrical supply 	High costs and poor availability of feed increase production costs reduce the use of feed particularly at the small-scale level, reducing productivity and farmer incomes.
Skills	<ul style="list-style-type: none"> - Little inclusion of poultry in university veterinary curricula - Lack of practical training integrated into university curricula - Commercial market too small for higher skilled training - Extension services target household farming, have little commercial orientation and train men instead of the farm managers, women - Lack of business development services for women, household farmers 	Limits farmer yields and incomes Incurs training and human resourcing costs for processors and reduces productivity.

Infrastructure	<ul style="list-style-type: none"> - Lack of government investment into power and transport 	Increased operating costs, and product losses at each step of the chain
Access to Finance	<ul style="list-style-type: none"> - Banks view agriculture as highly risky - Poor financial sector liquidity - Lack knowledge in assessing agriculture risk - Poor farmer/business knowledge of putting together a business plan and cannot meet collateral requirements (particularly women) - Lengthy approval times due to savings requirements 	SMEs and farmers - particularly women - struggle to access credit which can support faster business growth.
Rules and Regulations		
Currency Controls	<ul style="list-style-type: none"> - Ethiopia lacks foreign currency reserves, and thus needs to protect currency exchange 	Severely limits the import of inputs, packaging inputs, etc. and increases costs throughout the chain, reduces competitiveness.
Taxes & import Duties	<ul style="list-style-type: none"> - Requirements too stringent to apply to smaller, non-exporting businesses that do not add considerable value. 	Adds substantial cost to any inputs and limits industry competitiveness.
Access to Land	<ul style="list-style-type: none"> - Short-term lease agreements often due to health and environmental concerns - Stringent requirements for small-scale and new entrant participation 	Insufficient new lands opened up for entrepreneurs to shift into commercial production
Regulations & Policy	<ul style="list-style-type: none"> - Lack of sector investment policy - Lack of sector processing regulations - Stringent requirements small-scale and new entrant participation 	Limits sector investment and growth and business opportunities start, expand and create jobs
Coordination	<ul style="list-style-type: none"> - Small sector size limits membership base and funding for association staff and active advocacy, as well as union activity - Poor ability to bring right actors to the table - Limited coordination activities - Government coordination difficult to navigate - High risk and lack of facilities for coops to handle live birds and eggs 	Limits policy development and sector growth and development



4 Opportunities

A market systems approach seeks to identify, address and remove system-level constraints that inhibit the growth of more inclusive markets. By nature, projects using the market systems approach pilot many different interventions, hoping that some gain traction and drive a larger systemic change that benefit the many while expecting that some never make it to a point where they can have significant impact (though do no harm). The reason for this is that lots of factors, many of which are often outside of programme control, determine the success or failure of a pilot intervention. Such factors could include partner capacity and motivation, and market forces which affect prices and demand.

Once pilots are tested and have been demonstrated as effective for creating more and better jobs for females, the project could then try to see how these approaches can be upscaled to have further impact. Sustainability and scalability will be a central focus, ensuring that business and intervention models can be scaled up and replicated by market actors to further increase the long-term impacts.

Box 6: Facilitating market system interventions

Traditional value chain development projects tend to orient their interventions towards the question of “what problems do value chains have and how can the project solve them?” rather than focusing on “why isn’t the market environment providing solutions to these?” and “how can the project address the constraints that prevent it from effectively doing so?”

A market systems approach opts for a ‘light touch’ way of intervening, running a temporary package of activities designed to stimulate lasting behaviour change among public or private market players. The facilitation approach encourages market actors to take on new or improved roles which will lead to systemic change in the market system.

Anything is possible with facilitation: from ‘hard’ tactics like cost-sharing and technical advice, to ‘softer’ tactics like brokering relationships - as long as the facilitation stays true to the MSA principles on developing a more efficient and inclusive system that benefits the poor and which doesn’t have to rely on continued external support. There is no ‘correct’ single way to do facilitation and decisions must always be contextual.

Some general ‘rules of thumb’ are outlined in the ILO Lab brief “Market systems facilitation, how good are you?” 2017

4.1 Key market actors

For sustainability purposes, it is recommended that the project implement with existing market actors taking the lead in delivering interventions. To help ensure that the partners have the right incentives and abilities to take initiatives forward, the below table summarises perceived organisational motivation and human and financial resource capacity to drive change in such initiatives.

Table 4: Key Stakeholders in the Sector

Organisation	Relevant Information	Motivation / Capacity ⁸¹
Ministry of Agriculture	<ul style="list-style-type: none"> - Uppermost body of government with the mandate to capacitate, supervise, and regulate the agriculture sector - Has extensive networks of extension programs, down to the smallest level of government administration in all regions - Responsible to developing supply chains feeding into agro-industries 	Motivation: Medium Capacity: High
Ethiopian Investment Commission	<ul style="list-style-type: none"> - Reports directly to the Ethiopian Investment Board, chaired by the PM or his designee - Responsible for promoting, attracting, and facilitating investment into agro-processing and other sectors - Has developed a strategy for promoting investment into Food, Beverages, Packaging, and Auxiliary industries jointly with ATA - Has signed MoUs with both regional IPDCs for the attraction of investment into the agro-parks - Responsible for mobilising key agencies to provide one-stop-shop services in agro-parks - Has the power to convene any and all agencies around investment issues 	Motivation: High Capacity: High
Regional Industrial Parks Corporations	<ul style="list-style-type: none"> - Responsible for developing and operating agro-industrial parks - Manage agro-parks that will be hosting 120 - 150 agro-processing companies - Responsible for overall coordination of support organisations and government organs to make the supply chains feeding into agro-parks work - Leading technical steering committees made up of donor and government representatives to push the agro-parks implementation agenda 	Motivation: High Capacity: Medium
Ethiopian Poultry Producers and Processors Association	<ul style="list-style-type: none"> - Membership based association representing 90 medium scale and 8 large scale commercial poultry producers - Undertakes advocacy, capacity, building, and experience sharing activities - Collaboratively lobbying key improvements to the policy environment in the poultry sector 	Motivation: High Capacity: Low
Ethiopian Animal Feed Industry Association (EAFIA)	<ul style="list-style-type: none"> - Association with a broad composition of membership from feed ingredient and feed suppliers, feed producers (cooperative unions and vertically integrated poultry farms) - Undertakes research, advocacy and experience sharing activities 	Motivation: High Capacity: Low
Ethio-chicken	<ul style="list-style-type: none"> - Large scale hatchery of Sasso dual purpose DOCs for meat and eggs - Employs an innovative agent model to distribute DOCs nationwide including in Amhara and Sidama (stronger presence in Sidama) - Provides training, BDS, and input (feed and vaccines) to early stage rearing entrepreneurs - Works with MFIs to help agents access finance for operations 	Motivation: Medium Capacity: High
Alema Farms	<ul style="list-style-type: none"> - A fully integrated feed and poultry producer company - Among the major companies importing breeding stocks and hatching eggs - Has hatchery and multiplication facility to produce DOCs for its own farm and distribution to smaller producers - One of the largest suppliers of quality poultry feed in the country under a JV arrangement with a Dutch company - Close to realizing an expansion project for feed mill and poultry farming in Amhara 	Motivation: Medium Capacity: High
Agricultural Transformation Agency	<ul style="list-style-type: none"> - Jointly with EIC, developed a comprehensive and detailed strategy for attracting investment into Foods, Beverages, Packaging, and Auxiliary Industries - Helping create a network of 30 Agricultural One Stop Shops across the country, with a few in Amhara and Sidama regions - Has well staffed and equipped regional offices in Sidama and Amhara - Part of the technical committee for value chains development around the agro-parks in Sidama and Amahara 	Motivation: Medium Capacity: High
Entrepreneurship Development Centre	<ul style="list-style-type: none"> - Quasi – government entity formed by a partnership between UNDP and the Ministry of Urban Development and Housing (MoUDH) - Est. in 2013, provides services to start - up, micro, and small enterprises - Has branch offices, training centres, and trainers in Hawassa and B/Dar - Provides training on entrepreneurship and BDS services - Provides resource people for trainings organised by other organisations 	Motivation: High Capacity: High

81 Motivation indicates the perceived organisational motivation to drive change in the sector. Capacity is related to human resource capacity to drive change in the sector. Both of these were gauged by the team based on the semi-structured interviews which took place during the field research.

4.2 Potential areas for intervention

Based on findings of the constraints analysis and given the assessment of the key market stakeholders, several potential areas for intervention have been identified. These interventions focus on addressing the underlying causes to key constraints and take account of existing development, government and private sector initiatives. They also have a sustainability and scalability focus, such that businesses and organisations can continue, scale-up or replicate interventions beyond the life of the project.

The below is tentatively proposed as an action plan for the project to take forward. This should be reviewed and updated regularly when new market information or analysis becomes available and in light of changing sector dynamics. The identified interventions take a portfolio approach as it is recognised that some interventions may never get traction while others may become very successful. The idea here is to test many initiatives and put resources into those that succeed while minimising investment into those that do not.

The proposed intervention strategy tries to alleviate constraints in three key areas, which are broadly set-out below and detailed on an individual intervention basis in subsections thereafter:

1. **Reduce costs to input supply:** High input costs are the key driver in limiting the diffusion and use of more productive poultry farming methods to existing and new entrants. They also push the purchase price of poultry products out of reach for the vast majority of Ethiopian consumers. Thus, these interventions intend to address some key input cost drivers, which can incentivize poultry farmers to use more productive inputs and in turn, become more profitable.
2. **Enhance commercial orientation of semi-intensive female farmers:** In line with the national policy of shifting to more commercial sector development and the project objective of creating more and better jobs for women, this intervention seeks to strengthen the commercial orientation of female poultry farmers - who are overrepresented in unproductive

household farming and underrepresented in commercial farming.

3. **Support sector investment policy** to incentivise new entrants into commercial poultry production and raw poultry feed material production to both expand the sector and reduce feed input costs and raw material shortages. The investments would create commercial farming jobs, make quality production more affordable, and potentially make commercial farming more viable for semi-intensive farmers.

Intervention Area 1: Reduce costs to input supply

1.a) Enhance the technical management capacity at hatcheries to reduce mortality of day-old chicks. Hatchery mortality rates are reported to be high (some indicated up to 20%) which has an effect on both the supply of day-old chicks to the market as well as their price. At the same time, research indicates that these hatcheries need to enhance their technical capacity to reduce mortality rate. In this intervention, the project would work through the EPPPA to reach out to hatcheries to understand which technical areas need support. The project could hire a technical specialist to review operations at a series of hatcheries to recommend actionable hatchery investment measures to reduce DOC losses. The project could look at piloting or framing this support as an EPPPA member service, to re-establish EPPPA member trust and create some more membership value, or work toward projects fully funding ongoing technical support for the future⁸².

1.b) Work through EPPPA and EAFIA to strengthen the existing advocacy efforts around reducing feed costs. The project would build on the work that EPPPA and EAFIA are already doing in this area, and the interest of EIC and ATA, who have identified that addressing feed costs is a high priority for sector competitiveness. While it is unclear how these organisations intend to address the issue at hand, the project could convene the four parties and devise a strategy to support the reduction in feed costs. Based on this, the project could support the four organisations to convene a larger meeting to identify a road map ahead. While the project's next steps will depend

82 An alternative option to reduce DOC costs could be to support MoA in assessing the viability of setting up grandparent stock multiplication centres. While it is recognised that the Ethiopian poultry market is currently too small to support grandparent stock, such a feasibility study can help mark out a strategy for the future development of grandparent stock centres such that they come online at the right time

on that road map, some potential support areas could be developing an economic case for alleviating import duties on premix and day-old chicks or working with government to open up access for feed companies to direct source raw feed inputs from farmers rather than at the high price, lower quality, Ethiopia Commodities Exchange.

1.c) Enhance raw input production. As edible oil cake is the most expensive and over-priced feed input, the domestic supply shortage of the commodity is an issue. The project will work to boost supply through a series of interventions identified in the ProAgro Ethiopia edible oils market systems analysis.

Intervention Area 2: Enhance commercial orientation of semi-intensive female farmers

2.a) Orient regional extension services to better target women. Current extension services are directed toward household farmers. The issue is that these trainings overwhelmingly engage men at the household level, when women are the ones actually doing the poultry farming. A first, minor step in positioning women to be more productive household farmers would be to give them access to the existing extension services. Here the project could work with the extension service directorates in both regions to identify a road map to better target extension services to ensure that they actually train those doing the poultry farming – women.

2.b) Enhance business development services (BDS) for female semi-intensive producer groups. Making a switch to more commercial farming requires knowledge on some business skills. Women in semi-intensive farming have already made a leap into a more productive business - which is a large transformation in itself - however, they may still need to develop their business with some further upskilling. In this regard, the project could work with existing BDS providers to structure a training around targeted for semi-intensive poultry farmers. This could potentially be paired with some basic technical training on more commercial farming techniques and an assessment of return on investment for higher productive chickens and feed. To ensure that the BDS providers have a market for such services, the project could link BDS providers to regional bureaus in Amhara and Sidama and women's poultry producer groups as a first step. With

respect to the training packages, the project could work from the BDS training networks, adapt the contents from the ILO's existing BDS packages: *Start and Improve Your Business*⁸³ (SIYB) or the more gender targeted *GET Ahead*.

2.c) Work with financial service providers – formal or informal – to support lending to BDS trained, semi-intensive female farmers. One key constraint is that financial institutions consider lending to agriculture, including to poultry farming, as too risky. The project can intervene with awareness raising and training to financial service providers – particularly those oriented toward lending to females or those with funds to lend - to increase their knowledge and understanding of the business. This would enable them to measure the risk better, price it in their loan products, and potentially develop tailored financial products for the poultry sector to make it more acceptable to lend to poultry businesses looking to expand. The project's work in intervention 2b will help in this intervention as female semi-intensive poultry farmers will create business plans and improve business record keeping to enhance their eligibility for loans.

If the above work does not free up lending, the project could use risk-sharing methods such as establishing a matching revolving fund and/or guarantee funds. The latter is more cumbersome administratively and requires a level of fund management and technical assistance capacity in the project team. The former can be done relatively easily - once the right partners have been identified, the project and financial partner institutions can design appropriate funding and implementation mechanisms and a practical phase-out strategy.

Intervention Area 3: Support sector investment policy

3.a) Work with regional investment bureaus to develop and enhance investment strategy, particularly in Sidama where the new regional government structure is in the process of developing new policies and regulations. Here, the project could work with the Sidama regional government, as well as ATA and EIC - organisations trying to incentivise investment into poultry production. With these organisations, the project could work to address key investment barriers, particularly for women, to the start-up and develop poultry farms. The investment work should target a more

83 In particular the SIYB Association in Sri Lanka could be consulted as they have poultry training experience.

inclusive approach to help commercially oriented smaller-scale poultry farms invest into growth and development.

The first step would be to discuss with both regional authorities - including their livestock development teams - to understand the existing organisational and bureaucratic pain points and incentives to bring about such a policy change. The ILO can support this technically to link to the ProAgro policy work.

3.b) Support EAFIA to advocate for the opening up of investment lands for poultry feed inputs.

The domestic supply shortage of poultry feed inputs such as edible oils and maize, drives up the cost of poultry feed, which in turn, increases poultry production costs and reduces sector

competitiveness. Linked to intervention area 1, this intervention would advance EAFIA's efforts to lobby the national government to create investment incentives for the production of raw animal feed inputs. Work has started here, however, EAFIA needs support to analyse and demonstrate the economic case for creating these investment incentives. The ILO could support EAFIA in creating the economic case as well as in setting-up and facilitating a private-public dialogue platform to bring key actors to the table to discuss the economic case, policy implications and way forward to put these incentives into action. If this process can push forward the necessary investment incentives, it can enhance both major gains in the poultry and edible oils sectors.

5

Conclusion

The project has a considerable opportunity to develop the poultry sector in Amhara and Sidama in a way that generates more and better jobs for female workers and eventually reduces poverty for these individuals and their families. The analysis in this study provides the project with a starting point to engage with and drive change in the sector and identifies eight potential interventions to do so.

These interventions aim to incentivise sector investment and create more effective, less costly production to improve the sector's competitiveness. In this effort, the project must ensure it engages women and reduces the barriers for women – who work in traditional, unproductive farming operations and are underrepresented at the commercial scale. This will ensure that women serve as an engine to the sector's transformation from unproductive to commercial farming rather than being left behind from the gains ahead.

Finally, it should be noted that although this analysis is considered comprehensive, the project should strive to revisit, update and build upon it as the project team gathers more insights in the sector, its constraints and the market actors. This will help the project more aptly adapt and deliver in a rapidly changing sector.

Annex A: Research Interview List

Semi-structured Interviews

Large-scale hatchery, Addis Ababa
Medium-scale early-stage producer, Addis Ababa
Large-scale feed producer, Addis Ababa
Feed oriented cooperative Union, Hawassa/Sidama
Family Poultry Farm, Sidama Region
Ministry of Agriculture - Agricultural Investment Directorate, Federal Level
Ministry of Agriculture - Extension Department, Federal Level
Ministry of Agriculture - Poultry Commercialization Department, Federal Level
Agricultural Transformation Agency, Federal Level
Bureau of Investment and Industry, Amhara Region
Bureau of Agriculture - Livestock Directorate, Sidama Region
Confederation of Ethiopian Employers Federation
Amhara Credit & Saving Institution, Amhara Region
Walia Capital Leasing Company, Amhara Region
South Capital Leasing Company, Sidama Region
Poultry Producers and Processors Association, Board Chairman
Ethiopian Animal Feed Industries Association, Head
Andarge Feed Distributor & Poultry Enterprise, Bahir Dar, Amhara Region
Abay Youth Group, Bensa Woreda, Sidama Region
Bensa Woreda Livestock Extension Head, Sidama Region
Regional Industrial Parks Development Corporation, Sidama Region
Environment & Forestry Commission, Federal Level
Development Bank of Ethiopia, SME Financing Division - HQ
Cooperatives Agency, Amhara Region
Cooperatives Agency, Sidama Region
CETU - Federation of Food, Beverages, Tobacco and Allied Trade Unions
Entrepreneurship Development Centre, Sidama Region
Bureau of TVET & Enterprise Development, Amhara Region

Observations

Yirgalem Industrial Park, Sidama Region
Bure Industrial Park, Amhara Region (sector selection stages)
Bensa Rural Transformation Center, Sidama Region
Bensa Poultry Centre, Sidama Region



International
Labour
Organization



ProAgro

Supported by



Invest for Jobs
Opportunities for Growth in Africa

On behalf of



Federal Ministry
for Economic Cooperation
and Development

Implemented by



International
Labour
Organization