

Best Practices

Diversification to the Horticulture and Floriculture Sector A story of Success and Achievement

Ethiopian foreign trade has been mainly characterized by coffee export which accounts for about 60 percent of the country's foreign exchange earnings. The coffee sector is a means of livelihood for an estimated 15 million people in the country. The coffee sector plays a key role in the economic development of the country.

This near total dependence on coffee for foreign exchange earnings puts the country's national economy in a particularly vulnerable position because the sector is highly dependent on various internal and external factors to do with production and marketing which are outside its control.

Coffee production in Ethiopia is subject to weather conditions which can include recurrent drought and frost, as well as pests that can attack and destroy coffee berries. These can produce bad harvests resulting in low production and, hence, shortages of coffee for export. This, in turn, automatically narrows the country's opportunity for foreign exchange earnings which are badly needed and indeed critical to economic development.

Ethiopia's coffee export marketing is also determined by international forces and affected by the structure and workings of the world coffee market. The international price of coffee may decline or even collapse unexpectedly due to the volatile and sometimes unpredictable nature of the world coffee market. The failure of coffee production in the country and the collapse of international price of coffee, whether in combination or separately play a key role in determining the country's faith for economic development. Without any other alternative source and foreign exchange earnings, this could lead the country into economic stagnation or even recession.

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To oblige this weakness of the Ethiopian economy, efforts to diversify export products and expand the country's foreign exchange earnings have been underway in the country for the last couple of years. Diversification into Horticulture, such as the production and export of fresh flowers, by involving domestic as well as foreign investors, is among the initiatives vigorously encouraged by the government.

Indeed, the government of Ethiopia is actively promoting the development of the horticulture, and floriculture in particular, and has introduced a number of incentives to attract local and international investors to the sector. These include:

- Open access to the sector;
- Making suitable land available for lease,
- Available capital for investment from the Development Bank of Ethiopia on 30:70 ratio investor contribution bank loan facility.
- A 5 year tax holiday for new investors;
- Granting duty free status for equipment, machinery and inputs needed for the implementation of the investment project;
- Stable local exchange rate.

Though a recent phenomenon, the expansion of Horticulture sector, and floriculture in particular in the last three years has been phenomenal.

According to recent information published by the Ethiopian Horticulture Producer-Exporters Association there are now sixty six export farms. There are 600 hectares (ha) of land covered in the open field flowers, 70 hectares by in the cuttings as well as 25 hectares for herbs and 600 hectares of vegetable and fruits.

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According to the same information the sector has already started to generate foreign exchange earnings for the country. The country earned in excess of USD 60 million in 2006-7 from the export of cut flowers to the world flower market and has created employment for more than 30,000 people.

Ethiopia's flower production currently consists mainly of Roses. This is because Ethiopia has an ideal production climate for Roses: warm days and cool nights encourage excellent quality with large buds, long stems and vibrant color, according to experts in the field.

Vegetables and fruits are produced by irrigation on farms certified by EUREPGAP and the products are packed for shipment in modern facilities. Cold store facilities on the farm and the use of refrigerated transport trucks to the airport ensure that the products reach the market in prime condition.

Ethiopia is an ideal country for the development of the sector. The country has good agricultural land available at all altitudes between the range from 1,000 - 2,500 meters above sea level and has climatic conditions to suit most varieties of horticultural and floricultural crops.

The country's potential for the development and expansion of the fruit and vegetables sector is considerable. There is an increasing market demand for high quality products and this provides favorable conditions for the sector to expand in Ethiopia. In recognition of this fact, the Government has made this a priority sub-sector for the diversification of the country's export and foreign exchange earnings.