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QUARTERLY REPORT #07 (JULY – SEPTEMBER 2012)

Capacity to Improve Agriculture and Food Security (USAID-CIAFS)

October 2012
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Cover Photo: More than 120 people participated in the five-day Ethiopian Agricultural Practices tour coordinated by USAID-CIAFS. The group met with agricultural producers to discuss best practices in watershed management, soil rehabilitation, seed multiplication, and improved seed varieties.

Photo by Fintrac Inc.

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CONTENT

1. EXECUTIVE SUMMARY

This is the seventh quarterly report for the USAID-Capacity to Improve Agriculture and Food Security (CIAFS) project for July to September 2012. USAID-CIAFS supports Ethiopia's efforts to transform its agricultural sector and improve food security for the Ethiopian people by providing targeted training on and raising awareness of best practices in agricultural development. The project strives to empower leaders to catalyze change, drive growth, and reduce poverty. Since its inception in 2011, the project has identified capacity gaps in both the public and private sectors, and designed and implemented tailor-made training programs on leadership, entrepreneurship, and competitiveness to public, private, and civil society leaders and professionals. USAID-CIAFS has conducted demand driven analyses to improve the enabling environment for agriculture, and provided monitoring and evaluation support for Feed the Future partners to track agricultural indicators critical to Ethiopian food security.

The following are the major achievements of the project this quarter:

- Delivered **leadership training to 65 senior managers** from the **Federal Ministry of Agriculture (FMOA)**, agricultural universities and colleges, research institutes, and MOA food security offices.
- Delivered **leadership training to 108 high-level Bureau of Agriculture decision makers in partnership** with Oromia Bureau of Agriculture and the Oromia Development Association to**.**
- **Led 121 participants from Amhara, Oromia, Tigray, and the Federal Ministry of Agriculture on a study tour to visit agricultural best practice demonstration sites.** Participants visited about 20 best practices, including proven successful practices for seed multiplication, natural resource management and conservation, watershed management, water harvesting, and improved seed varieties. A post-visit workshop was then held to share lessons learned and strategies for scaling up the practices.
- Co-sponsor**ed API-Expo 2012** with the Ethiopian Apiculture Board. API-Expo Africa is an annual continental expo aimed at promoting apiculture development in Africa.
- Co-sponsored the **20th annual conference of Ethiopian Society of Animal Production.**
- Distributed three ***Tools for Transformation*** **technical bulletins to stakeholders:**
  - *Integrated Pest Management: Impact Through a Problem Solving Approach*
  - *Geographic Information Systems: Impact Through Improved Data Management and Analysis*
  - *Apiculture: Impact Through Modernizing an Industry*
- Authored **"Fertilizer in Ethiopia: Policies, Value Chain, and Profitability,"** in partnership with the International Food Policy Research Institute.
- Performed **Training Impact Assessments** for CIAFS national-level leadership training and Amhara regional leadership training.
- **Trained the M&E staff of six FTF-implementing partners** on the use of USAID/Ethiopia's Feed the Future Management System.
- Finalized **contract farming study report.**

2. BACKGROUND

The USAID-CIAFS project is a four-year initiative of the United States Agency for International Development (USAID). The project, based in Addis Ababa, builds the institutional capacity of government, trade associations, civil society, and other stakeholders to improve Ethiopia's agricultural competiveness. The project also serves as a foundational platform to support other USAID/Ethiopia Feed the Future (FTF) programs to achieve the ambitious targets of US government's Feed the Future program. Objectives of FTF include increasing agriculture productivity, preserving natural resources, improving agricultural marketing, increasing the purchasing power of vulnerable households, and maximizing food security. This strategy is in line with the L'Aquila Principles endorsed at the July 2009 G8 meeting, particularly the first two principles: "adopting a comprehensive approach to food security" and "investing in country-led plans."

USAID-CIAFS:

- Improves human and institutional capacity for sustainable agricultural productivity through strategic capacity building activities for key agents of change.
- Enhances technology and best practice dissemination, management, and implementation capacity through study tours.
- Contributes to improved agricultural policy environment through analytical studies and public-private dialogues.
- Enhances the monitoring and evaluation capacity of the Federal Ministry, Regional Bureaus of Agriculture and other USAID-funded agricultural projects.

The project implements activities focused in four main technical components: strategic capacity building, analytical studies, technology and best practice dissemination, and monitoring and evaluation support. Its geographic coverage includes Tigray, Amhara, Oromia, and SNNP regions.

Year two work plan activities include:

- Capacity building for the Ministry of Agriculture at the federal and regional levels.
- Identification and dissemination of Ethiopian and international best practices for agricultural transformation through publications and the development of in-country demonstration sites.
- A targeted grants program for USAID-CIAFS agents of change to apply new ideas or educate the broader public about important agricultural policy issues.
- Domestic and international study tours for

Photo by Fintrac Inc.

Federal Ministry of Agriculture trainees engaged in simulation exercises as part of the transformational leadership training in Adama provided by USAID-CIAFS.

government officials and agriculture stakeholders to research new agricultural technologies and their application.

- Public/private forums for discussion of Ethiopian agriculture sector growth, food security, and improving capacity to address national challenges.
- Demand driven analytical studies on the most important policy constraints to the growth of the agricultural sector.
- Monitoring and evaluation support to USAID.
- Quarterly survey of key food security indicators.
- Developing and implementing training to support the regional Bureaus of Agriculture in monitoring and evaluation.

3. HIGHLIGHTS OF ACTIVITIES AND RESULTS

3.1 STRATEGIC CAPACITY BUILDING

USAID-CIAFS delivers leadership training to Federal Ministry of Agriculture decision makers

USAID-CIAFS, in collaboration with the Federal Ministry of Agriculture, delivered leadership training to 65 (56 men and 9 women) senior managers from the ministry's food security offices, agricultural universities and colleges, and research institutes August 17-19. The purpose of the training was to inspire, energize, and mobilize innovative leaders who are committed to implementing creative approaches to achieve food security. Specific objectives of the training were to enable trainees to play an active role leading agricultural change; analyze challenges and identify innovative actions to address them; broaden their understanding of food security issues; develop advocacy strategies to change attitudes about poverty, food security, gender, nutrition, and the impact of climate change on agricultural development; identify innovative solutions to address food security challenges; and create sustainable national networks to increase agricultural performance and food security.

CHALLENGES

- **Crop and livestock production**: dependence on rain, climate variability, natural resource degradation, high population growth, land fragmentation.
- **Input**: low rate of utilization of seeds and fertilizers.
- **Institutional**: synergy between different stakeholders, limited fund commitment compared to required expenditure, communication gap.
- **Infrastructure**: inadequate irrigation infrastructure, poor rural roads to access to markets
- **Low investment in agriculture**: lack of credit facilities, failure to attract adequate private sector investment in agriculture.

The topics covered during the training included:

- Challenges in food security and perspectives in Ethiopia
- CAADP and national policy and investment frameworks for agriculture
- Current status of food and nutrition security in Ethiopia
- Leading and managing change
- Strategic thinking and planning
- Advocacy and messaging
- Leadership and action plans
- Emotional intelligence
- Managing human resources; managing conflict
- Customer care in the public sector
- Creating action plans to take the agenda forward

Trainees identified the greatest challenges to increasing agricultural productivity in Ethiopia in the areas of crop and livestock production; the use of inputs; institutional relations; communications; low investment; inadequate leadership and professional manpower; lack of resource maps; and pests. The interactive training gave participants the opportunity to apply new problem solving and analysis skills to challenges they face in their day-to-day work, through simulation games and group discussions. By the end of the training, participants were motivated to change the food security situation in the country.

Training Ethiopian "agents of change," to advocate for policy reform to improve the enabling environment and lead transformation in the agriculture sector is integral to the USAID-CIAFS capacity building strategy. This training is part of the project's efforts to support FTF's objective of improving

agricultural productivity through enhanced human and institutional capacity development for increased sustainable agriculture sector productivity.

Since USAID-CIAFS began its leadership training program in May 2011, the project has trained **436 public sector agents of change** in Amhara, Oromia, and the FMOA and an additional **69 agents of change from the private sector and civil society**. In Year three, USAID-CIAFS will expand leadership training to the bureaus of agriculture in Tigray and SNNP regions to continue its focus on enhancing the capacity of local agents of change.

USAID-CIAFS and the Oromia Bureau of Agriculture, in collaboration with Oromia Development Association, bring leadership training to regional BOA staff

USAID-CIAFS partnered with the Oromia Bureau of Agriculture and the Oromia Development Association (ODA) to deliver leadership training to 108 senior officials from August 6-17. The objective of the training was to create a cadre of inspired, energized, and visionary agents of change, capable of harnessing creativity and innovation to achieve the goals of the regional agricultural transformation plan.

The majority of the trainees (more than 75 percent) are senior decision makers, holding positions such as deputy bureau head, process owner, and department head.

Participants identified challenges to agricultural productivity and food security and strategically developed solutions to mobilize resources to achieve Oromia's food security goals. The training provided a much-needed platform for bringing key regional level players together to focus on the Growth and Transformation Plan (GTP) goals.

TOPICS COVERED IN THE OROMIA LEADERSHIP TRAINING

- Food security status in Oromia
- CAADP/FTF/PIF/ATP Framework
- GTP/ATP objectives and implementation status
- Challenges and opportunities for ATP implementation
- Introduction to leading and managing change
- Steps of change
- Strategic planning
- Teamwork
- Creating a compelling vision
- Advocacy
- Leadership skills
- Planning
- Monitoring and evaluation

This training is part of CIAFS efforts to supports FTF objectives.

In USAID/Ethiopia's FTF Implementation Plan, the mission committed to train a minimum of 100 key agents of change during the early stages of the initiative. USAID-CIAFS has significantly surpassed this target, as shown in Table 1.

Table 1: Trainings* Conducted by USAID-CIAFS (excluding training to other FTF projects on FTFMS)

Reporting period	Number of training events	Training Beneficiaries by Sex			Training Beneficiaries by type of institution			
		M	*F*	*T*	*Public*	*Private*	*Civil Society*	*Total*
July 1 – Sept. 30, 2012 *(reporting period)*	6	329	27	356	336	0	20	356
Cumulative (Feb 2011 – June 2012)	19	880	113	993	648	293	52	993

*Includes both leadership and entrepreneurship trainings.

3.2 DISSEMINATION OF BEST PRACTICES, TECHNOLOGIES, AND INNOVATIONS

USAID-CIAFS led 121 participants on a study tour to visit agricultural best practices in Amhara, Oromia, and Tigray regions

USIAD-CIAFS led a study tour of agricultural best practices for 121 participants from Amhara, Oromia, Tigray, and the FMOA from August 26 to September 1, 2012. Participants visited about 20 sites, including proven practices for seed multiplication, natural resource management and protection, watershed management, and improved seed varieties. The visits were an opportunity for Bureau of Agriculture officials to highlight successful agricultural innovations in their regions and to promote their dissemination to and adoption by farmers in other regions. The overarching goal of the activity was to give participants on-site introduction to new technologies and skills that could be transferred and scaled up in other regions to increase production and productivity and meet the targets of the growth and transformation plan. The USAID-AMDE project contributed to the effort by nominating seven participants and identifying a demonstration site that was included in the study tour.

Photo by Fintrac Inc.

USAID-CIAFS led a best practice study tour during which participants visited 20 sites to observe proven practices in a variety of agricultural themes. This was the first tour of its kind in Ethiopia.

Immediately following the visit, USAID-CIAFS held a one-day workshop for tour participants and senior FMOA officials to discuss lessons learned. One example of a successful take-away from the training involved a water harvesting technology that has been successfully implemented in Gursum. Participants in other regions had not had much success with their existing systems and they mentioned this experience as particularly helpful in highlighting potential improvements.

Representatives of the FMOA indicated the tour was a huge success as it managed not only to demonstrate technologies and practices that have proven to be effective, but also that considerable improvements are needed in institutional coordination to ensure best practices are shared beyond the areas where they are tested. This message, echoed by participants throughout the tour, will be highlighted during the GTP mid-term review and by the FMOA as it restructures its role in supporting best practices throughout the country. In the next quarter, USAID-CIAFS will widely disseminate the best practices through a summary report and tools (technical briefs and video) to support the FMOA's extension efforts.

The best practice tour is part of USAID-CIAFS's strategy to build the capacity of leaders who will catalyze change in Ethiopian agriculture. Through its promotion of best practices, it supports FTF's objective of enhanced technology development, dissemination, management, and innovation.

USAID-CIAFS co-sponsors API-Expo Africa 2012

Working with and the Ministry of Agriculture the Ethiopian Apiculture Board, USAID-CIAFS co-sponsored the API-Expo Africa 2012 conference, in Addis Ababa September 26-30. API-Expo Africa is an annual continental exposition aimed at promoting honey development in Africa. The theme of the 2012 event was "Beekeeping for Food Security and Combating Climate Change."

The conference served as a platform to bring together diverse stakeholders to showcase Africa's honey industry, create market linkages and investment opportunities, and start a dialogue about the role of beekeeping in improving food security in Africa. More than 2,000 delegates, including exhibitors of products and technologies, exporters, importers, researchers, policy makers, credit providers, honey trade support networks (private, public, NGOs), development partners, international media, and other stakeholders participated in the event. African countries including Uganda, Kenya, Ethiopia, Tanzania, Rwanda, Ghana, Mozambique, Malawi, Egypt, Zambia, Burundi, South Africa, Cameroon, Sudan, Somalia, Nigeria, Democratic Republic of Congo, Botswana, Zimbabwe, and Angola were represented, as well as countries in the Middle East and Europe.

By participating in the event, more than 600 Ethiopian delegates were exposed to new ideas, technologies, and market contacts that will sustainably improve their ability to respond to market opportunities, thereby improving their access to productive economic resources including credit, increased income, and employment.

USAID-CIAFS continues to reach agriculture sector stakeholders with Tools for Transformation briefs

USAID-CIAFS continued distributing technical bulletins in the Tools for Transformation series to stakeholders in the public sector, private sector, and civil society every month. The monthly series promotes agricultural best practices that have proven effective in the Ethiopian context. They are distributed to stakeholders via email, as well as posted at www.ethiopia-ciafs.org. USAID-CIAFS has reached more than 200 stakeholders with 12 editions of the series to date, and has received consistent positive feedback from its readers, including government officials, associations, and USAID. The titles distributed in this quarter were:

- Integrated Pest Management: Impact through a problem Solving Approach
- Geographic Information Systems: Impact through Improved Data management and Analysis
- Apiculture: Impact through Modernizing an Industry

3.3 DEMAND-DRIVEN ANALYSES FOR POLICY DIALOGUE

USAID-CIAFS finalizes analytical study on fertilizer distribution

CIAFS, in collaboration with the International Food Policy Research Institute (IFPRI), completed a study that identified major challenges to fertilizer sector development in Ethiopia, including import challenges (price volatility, port congestion, insufficient transportation), central distribution challenges (lack of adequate central warehouses that are well-coordinated with transportation facilities), challenges related to last-mile distribution (cost, distribution and capacity of warehouses, lack of price information, packaging), and cross-cutting challenges (lack of regulatory system, unbalanced incentive structure for distribution and marketing actors, high transaction costs across the supply chain).

USAID-CIAFS seed certification study

Agricultural productivity growth and the associated agricultural transformation process have almost universally involved the use of improved and science-based technologies of which improved seed is one input. Recognizing this potential, the Ethiopian Agricultural Transformation Plan (ATP) places great emphasis on increasing the productivity of smallholder farming in Ethiopia through a package of technologies and best practices.

This study will assess seed certification practices and identify areas where further policy attention is needed to increase availability of certified seed to satisfy national demand. The analysis will focus on critical policy challenges related to seed certification to support agriculture growth and poverty reduction, and will make recommendations that balance the regulatory interests of the Ethiopian

government with the efficiency required by the private sector. In order to avoid duplicating previous studies and analysis, USAID-CIAFS coordinated closely with the Ministry of Agriculture and Dr. Yitbarek, director of the seed program at the Agricultural Transformation Agency, to define the scope of the study and the expected deliverables. The final report will be published during the next quarter.

USAID-CIAFS finalizes contract farming study report

USAID-CIAFS conducted a rigorous analysis of contract farming practices and outgrower schemes in Ethiopia to produce evidence-based recommendations for the agricultural sector. The need for the study was identified through consultations with the government of Ethiopia and the private sector in 2011, which indicated that the absence of a legal framework for contract farming in Ethiopia has limited the ability of commercial exporters to integrate smallholders into the value chains for export products.

The Ethiopian government recognizes the potential of contract farming as an important means for technology diffusion and commercialization for smallholders. In the government's Plan for Accelerated and Sustained Development to End Poverty (PASDEP), contract farming is described as a strategy to shift smallholders from low-value crops to export commodities, simultaneously enhancing food security and increasing government revenue. Contract farming has been attempted in Ethiopia for seed production, milk processing, and tree crops. However, there have been no in-depth studies analyzing the best practices of different contract farming models in Ethiopia.

USAID-CIAFS finalized the report in September and will widely circulate the findings in October-November 2012 for use by the Ministry and Bureaus of Agriculture, as well as Ethiopian agribusinesses and the Prime Minister's office. A stakeholder workshop is planned for the next quarter to initiate public-private dialogue on the topic, and provide a critical bridge between analysis and actual policy reform.

USAID-CIAFS delivers analysis of the world market for honey

A vibrant honey sub-sector is vitally important for the economic development of Ethiopia. Ethiopia has immense potential in support of a robust apiculture industry in Africa and globally. The industry has great potential to enhance manufacturing and export production, thereby increasing employment opportunities and reducing poverty. Ethiopia ranks 9th and 4th in global production of honey and beeswax production, respectively, and has the largest size of bee colonies in Africa. Currently, out of an estimated production potential of 500,000 tons, only about 43,000 tons of honey (less than 9 percent of potential) is being produced annually. Beeswax falls equally short, with only 3,600 tons of beeswax, about 7 percent of the 50,000 tons of estimated potential production, is being produced.

Photo by Fintrac Inc.

A recent analysis of the world market for honey revealed a high level of potential income for Ethiopian producers.

Despite the potential and the comparative advantages Ethiopia has, the industry remains under-developed. Its potential has not been fully realized due to a number of constraints and challenges that the industry is facing. Addressing the constraints and tapping into the opportunity calls for a concerted and coordinated effort by all the value chain actors. In order to support the honey sector, USAID-CIAFS performed a rapid analysis of the world market for honey to provide sector stakeholders with actionable analysis of past, current, and expected trends in the market place. The analysis draws on trade statistics, historical prices and other secondary data with primary research on product specifications and trends through the project's extensive buyer and distributor network.

According to the analysis, the outlook for Ethiopian honey production and commercialization appears to be promising. As world demand for honey continues to increase, successful honey producers and traders are likely to continue earning profits thanks to the growing market and flagging production in major consumer markets. Ethiopia should target their exports to the EU due to its past experience in importing African honey, market size, relative close proximity, and favorable price structure. Ethiopia could export both high quality monofloral honey and low-end polyfloral honey. It should be noted that the presence of honey from China and Mexico in the EU low-end polyfloral honey market segment is expected to increase in the coming years barring unforeseen circumstances. A Belgian importer stated that his company "can sell this [Ethiopian] honey in the European market" if it is of good quality and has a competitive price. Consequently, Ethiopia should be able to expand into the EU market if the country is able to compete with Chinese and Mexican prices in their respective market segments.

Overall, the biggest obstacles to entering the EU market are meeting its Residue Monitoring Plan (RMP), which prohibits honey imports from countries that are not on the "third country list" and meeting specific standards for quality and traceability through a producer-specific certification process.

As a secondary market, the Middle East presents an excellent opportunity to development Ethiopia's honey exports. Saudi Arabia is the largest market and Ethiopia already exports one to two dozen metric tons per year (from 2006-2011). The UAE, Oman, Yemen, Jordan, Kuwait, and Qatar also have noteworthy import markets. Ethiopia could take advantage of production disruptions in Yemen (civil conflict), which has traditionally supplied the Arabia Peninsula with honey.

Overall, Ethiopia is well-positioned to expand its presence in the EU and Middle East markets, as well as enter the US market as a high-quality honey exporter. Ethiopian producers can promote themselves as trusted and viable suppliers if they are able to improve their production, harvesting, and processing techniques. The full analysis is presented in Annex II.

USAID-CIAFS co-sponsors National Conference on Livestock and Climate Change, with the Ethiopian Society of Animal Production

The Ethiopian Society of Animal Production (ESAP) is a professional society established with the aim of providing forums for continual exchange and dissemination of research ideas, findings and observations to promote scientific and development discourse on current issues of animal production; promoting the advancement of animal production and enriching policy through quality research and development interventions; and encouraging and rewarding exemplary research and development undertakings that contribute towards the efforts to attain food security.

For the last 19 years, ESAP has organized annual conferences on themes that have direct bearing on livestock sector advancement and the development priorities of Ethiopia. These events build the knowledge base of diverse participants and contribute toward policy debate on livestock and livestock development in Ethiopia. The theme of the 20th ESAP Conference was "Livestock at The Crossroads of Climate Change and Variability," selected in support of the government's Green Economy initiative.

Topical presentations include:

- Climate-Resilient Green Economy initiative and the GTP
- Cattle feed resources and feed security in the context of climate change
- The impact of climate change drylands, and strategies for management
- Lessons learned from pastoral development in West Africa
- Major Policy Issues in livestock development
- Camel dairying and food security in the context of climate change

USAID-CIAFS supported the conference by presenting the findings and recommendations from the pastoral visit to West Africa, as well as supporting the development of publications such as policy briefs for wide dissemination.

3.4 MONITORING AND EVALUATION SUPPORT

USAID-CIAFS training impact assessments reveal encouraging results

USAID-CIAFS carried out impact assessments of the master leadership training conducted in May 2011 in collaboration with USAID-Africa Lead, and Amhara regional leadership training. The findings of the assessments revealed that USAID-CIAFS-trained agents of change are putting the knowledge they have learned and the skills acquired to use catalyzing change in their regions. For example, one agent of change in Amhara put new operational systems in place that doubled his department's efficiency to serve farmers. To increase cohesion and accountability in his department, Ato Tenaw Mekonnen, Director of the Planning Office of the Amhara Bureau of Agriculture, reorganized his staff into five-person teams with responsibility for implementing specific activities and for achieving well defined targets. He also instituted an incentive program to motivate his staff and recognize the groups' successes. The Planning Office now uses the planning and management tools that Mekonnen learned about in USAID-CIAFS training, including action plans and long-term work plans, to increase individual, group, and department efficiency.

Mekonnen's changes have already resulted in positive impacts for the bureau and the farmers that they serve. The time required to analyze production data collected by *wordea*-level development agents has been cut in half. This July, improved efficiency saved farmers from huge losses of livestock and incomes. When isolated cases of lice and keds were reported by Amhara livestock producers, the bureau was able to quickly analyze the data, rapidly mobilize treatment, and minimize what could have been a widespread outbreak leading to substantial losses for farmers. Similarly, in August 2012, when the first reports of locust swarms were received, Menkonnen's department quickly analyzed the data and began distributing reserve pesticides in order to contain crop losses. The operational changes made by the Planning Office after USAID-CIAFS training have been so successful that they are spreading throughout the region: both the Amhara Agricultural Research Institute and the Amhara Environmental Protection Agency have sent staff to observe and learn from Mekonnen's reorganized department, to improve their own internal efficiency.

The Amhara regional government and the Bureau of Agriculture have recognized the contributions of USAID-CIAFS-trained agents of change and, based on their recommendations, have begun to allocate funds to produce new technologies (e.g. bio-fertilizer) and introduce new services to farmers. The findings of the training impact assessments will be presented in a detailed report in October.

USAID-CIAFS provides training on ArcGIS and data management to Tigray and SNNP regional BoA staff

USAID-CIAFS delivered a 10-day training on data management and the application of ArcGIS to Tigray and SNNP regional bureau of agriculture M&E specialists. In Tigray, USAID-CIAFS worked with the Tigray BoA and the Institute of Geo Information and Earth Observation Sciences Department in Mekelle University to train **32 professionals** from July 27 to August 5, 2012. USAID-CIAFS also partnered with the SNNP BoA and Wondogenet College of Forestry and Natural Resources, Hawassa University, to train 30 SNNP BoA M&E specialists from August 10-12. The goal of the training was to address critical capacity gaps in monitoring and evaluation by providing regional BoA officers with the skills to collect high-quality data, perform analyses, and use data for short- and long-term planning. USAID-CIAFS will continue to work with Mekelle and Hawassa universities to support the trainees as they put the knowledge and skills they have obtained in the training into practice. The project has finalized plans to deliver the same training to Oromia and FMOA experts.

USAID-CIAFS provides training to Implementing Partners on the use of the FTFMS

USAID-CIAFS continued reaching out FTF implementing partners for to deliver training on the use of USAID/Ethiopia's Feed the Future Management System (FTFMS). This quarter, USAID-CIAFS provided initial and refresher training to representatives from four organizations, namely Save the Children (ENGINE project), Care (GRAD project), ACDI-VOCA (AGP-VCE/AMDE project), and International Rescue Committee (WATER project), in a one-on-one format. USAID-CIAFS staff provided an overview of the FTFMS, levels of use and reporting responsibilities, data entry parameters and reporting tools, and led them through practical exercises covering the technical aspects of the FTFMS. Training will be provided to implementing partners on ongoing basis, as new awards are announced and projects hire or replace M&E staff. In addition, USAID-CIAFS carries out regular data verification activities for all users.

4. SUMMARY OF PLANNED ACTIVITIES FOR NEXT REPORTING PERIOD

4.1 STRATEGIC CAPACITY BUILDING

- Partner with the South Ethiopia Peoples' Development Association (SEPDA) to expand USAID-CIAFS leadership training to SNNP regional BOA staff.
- Provide leadership training to Tigray regional BOA staff.

4.2 DISSEMINATION OF BEST PRACTICES, TECHNOLOGIES, AND INNOVATIONS

- Work with the Pastoral Forum of Ethiopia and other dairy sector stakeholders to promote and implement the first Ethiopian National Workshop on milk.
- Finalize, publish, and disseminate best practice communications tools (print and electronic).
- Award grants related to Climate Change Adaptation to support the development of climate change curricula and to research and disseminate climate change information.
- Publish and disseminate proceedings from the **"**Pastoral Development in Ethiopia**"** workshop.
- Disseminate three editions of the *Tools for Transformation* series.

4.3 DEMAND-DRIVEN ANALYSIS FOR POLICY DIALOGUE

- Finalize analytical study (in collaboration with ATA) assessing seed production, certification, and distribution in Ethiopia.
- Conduct competitiveness study of honey.
- Facilitate a public-private dialogue workshop on contract farming.

4.4 MONITORING AND EVALUATION SYSTEM SUPPORT

- Update CIAFS PMP for Year three.
- Conduct training impact assessment for the private sector trainings.
- Coordinate and host the FTF implementing partner quarterly coordination meeting.
- Begin follow-on M&E mentoring program to ensure that GIS and data management trainees apply the skills acquired in their day-to-day activities.
- Provide data management and GIS training to Oromia BoA and FMOA GIS specialists.
- Hold semi-annual review and stakeholder consultation planning and M&E workshop for the Ministry and Bureau of Agriculture.
- Update www.ethiopia-ciafs.org with FTF implementing partner information.
- Train implementing partner M&E staff on the use of FTFMS, provide troubleshooting support as needed.

4.5 COMMUNICATIONS

- Produce and disseminate three success stories.
- Produce and disseminate next issue of Agents of Change journal.
- Produce and disseminate three new *Tools for Transformation* bulletins
- Produce and disseminate final report on best practice study tour.

ANNEX I: SUCCESS STORIES

Trainings Trigger Solutions for Competitiveness

Leaders in honey industry develop new campaign to address industry constraints

Photo by Fintrac Inc.

Thanks to USAID-CIAFS training, the EHWPEA's new awareness campaign will help address problems of adulteration in the honey sector, increasing competitiveness and economic growth.

"Our intervention will hopefully go a long way towards containing and addressing the problem."

– Shimelis Abere, Ethiopian Honey and Wax Producers and Exporters Association (EHWPEA)

The Ethiopian honey sector holds a great deal of potential for improving smallholder food security. Approximately 1.4 - 1.7 million Ethiopian households maintain beehives to generate income, and the sector contributes US$1.6 million annually to the national economy. However, the practice of adding extraneous or inferior ingredients, known as adulteration, lowers the quality of honey and has been a key constraint to Ethiopian apiculture growth and market opportunities. Honey is susceptible to adulteration with synthetic sweeteners that are cheaper than natural bee honey, such as sugar syrups and molasses, which creates a considerable economic and regulatory problem.

The Ethiopian Honey and Wax Producers and Exporters Association (EHWPEA) have struggled to address this challenge in the honey sector. "The USAID-CIAFS training on competitiveness, however, has changed that," says Shimelis Abera, EHWPEA General Manager.

The Capacity to Improve Agriculture and Food Security (CIAFS) program, supported by USAID, empowers agents of change through leadership trainings to help transform the Ethiopian agriculture sector. Shimelis participated in two USAID-CIAFS private sector trainings that focused on competitiveness and entrepreneurship. The competitiveness training, he said, was an eye-opener for his association.

Association leaders are now using planning tools to develop a strategy to enhance the competitiveness of the Ethiopian honey sector in the global and regional market by addressing the adulteration issue head-on, as well as identifying major marketing problems that have plagued the sector. Based on the training, they identified eleven project ideas, all of which are aimed to achieve more competitiveness in the honey industry.

This year, the association is leading an awareness-raising TV campaign targeting producers, consumers, and the public sector to publicize the consequences of adulteration for consumer confidence, the export market, and human health, and to let the public know what steps can be taken to address these risks. Additionally, they're launching a multi-stakeholder honey panel to bring together producers, processors, consumers, and regulatory bodies to discuss adulteration, its impact on the sector, and potential solutions. The panel will publicize recommendations and advocate for key reforms, including developing a certification program and enforcing health and safety standards.

"All the stakeholders that I have talked to are happy to begin addressing adulteration cooperatively, and our intervention will hopefully go a long way towards containing and addressing the problem," says Shimelis.

Like all USAID-CIAFS training participants, EHWPEA trainees will receive follow up support so they can cascade the leadership training to other members in their association. USAID-CIAFS also supports the Ethiopian apiculture industry by sponsoring the 2012 ApiExpo, which brings together over 2,000 participants to share information and technologies, as well as market information and linkages to improve incomes and food security.

Better Management Practices Make Big Impact

Time needed for data analysis has been cut in half, leading to faster response to pest outbreaks

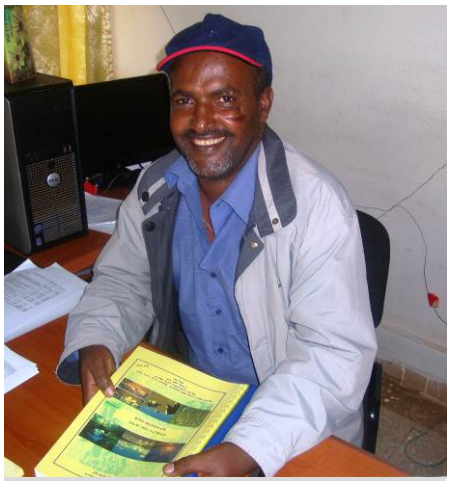


Photo by Fintrac Inc.

Tenaw Mekonnen, Director of the Planning Office of the Amhara Bureau of Agriculture, helped save farmer livestock from lice and ked damage by implementing more efficient management practices he learned from USAID-CIAFS leadership training.

"Our ability to mobilize is strengthened after USAID-CIAFS training."

-Tenaw Mekonnen,
Director of Amhara BOA Planning Office

In Ethiopia, the Bureaus of Agriculture can provide a lifeline to inputs, extension services, and animal health services to farmers operating in the regions. Tenaw Mekonnen, Director of the Planning Office of the Amhara Bureau of Agriculture, is working to ensure that farmers receive these services efficiently.

The Capacity to Improve Agriculture and Food Security (CIAFS) program, supported by USAID, empowers agents of change through leadership trainings to help transform the Ethiopian agriculture sector. In 2011, Mekonnen participated in his first USAID-CIAFS leadership training, which focused on Ethiopia's food security status, global food security and agricultural growth strategies, and how to leverage human resources in the public and private sector for greater impact. Since then, Mekonnen has delivered the training to his own staff and instituted new workforce management practices to improve efficiency.

The Planning Office now uses the planning and management tools that Mekonnen learned, including action plans and long-term workplans, to increase personal, group, and department efficiency. To increase cohesion and accountability, Mekonnen reorganized his staff into five-person teams with responsibility for implementing specific activities and for achieving well defined targets. He also instituted an incentive program to motivate his staff and recognize the groups' successes.

Mekonnen's changes have already resulted in positive impacts for the Bureau and the farmers that they serve. The time required to process and analyze production data collected by wordea-level extension agents has been cut in half. This July, the new efficiency of processing time saved farmers from huge livestock losses and a substantial hit to their incomes. When isolated cases of lice and keds were reported by Amhara livestock producers, the Bureau was able to quickly process and analyze the data, rapidly mobilize treatment, and therefore minimize what could have been a widespread outbreak leading to loss of livestock and income for farmers.

Similarly, in August, when the first reports of locust swarms were received, Menkonnen's department quickly analyzed the data and began distributing reserve pesticides in order to contain crop losses. The operational changes made by the Planning Office after USAID-CIAFS training have been so successful that they're spreading throughout the region: both the Amhara Agricultural Research Institute and the Amhara Environmental Protection Agency have sent staff to observe and learn from Mekonnen's reorganized department to improve their own internal efficiency.

By increasing operational efficiency within public and private sector agricultural support institutions, USAID-CIAFS and Feed the Future are increasing resources available for Ethiopian farmers to deal with environmental, technological, and marketing challenges for improved agricultural growth and food security.

ANNEX II: THE WORLD MARKET FOR HONEY

USAID FROM THE AMERICAN PEOPLE | CIAFS | Capacity to Improve Agriculture and Food Security

THE WORLD MARKET FOR HONEY

Market Survey #01

INTRODUCTION

Honey has a long history of human consumption, and is most commonly consumed in its unprocessed state (i.e. liquid, crystallized or in the comb). It is taken as medicine, eaten as food, or incorporated as an additive in a variety of food and beverages. In Ethiopia, honey is primarily used to produce the country's national drink *Tej*, a traditional honey wine or mead.

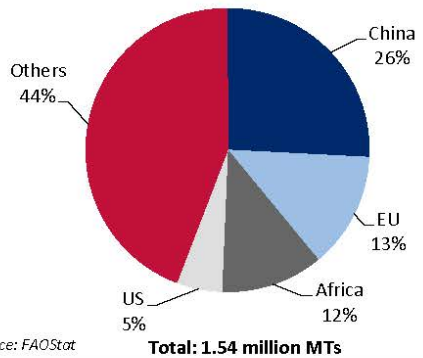
Honey Comb

The color and flavor of honeys differ depending on the nectar source (the blossoms), age, and storage conditions. In general, darker honeys are more often used for large-scale commercial purposes, while lighter honeys are marketed for direct consumption and demand a price premium over their darker counterparts. Honey made primarily from the nectar of one type of flower is called monofloral honey, whereas honey made from many types of flowers is called polyfloral honey. Monofloral honey typically has a high value in the marketplace due to its distinctive flavor, and includes the well-known varieties such as *Orange Blossom* (made from citrus nectar), *Sourwood* (nectar from the Appalachian Sourwood tree), and *Yucatan* (made primarily from the Dzidzilche tree in the Yucatan peninsula). However, most commercially available honey is blended to include two or more honeys, differing in floral source, color, flavor, density, and geographic origin.

PRODUCTION

From 2005-2010, global production of honey increased by 10% from 1.4 million metric tons (MTs) to 1.54 million MTs. Starting in October 2006, large-scale unexplained losses of honey bees began to occur in the US and EU negatively affecting global supply. The phenomenon, termed **Colony Collapse Disorder (CCD)**, was in part responsible for a 2% decline in world honey production from 2006-2007. As of 2012, CCD remained an ongoing problem for the honey industry with the US being the hardest hit.[1] In the EU,[2] CCD is expected to contribute to a decline in honey production, particularly in the South European countries (Portugal, Spain, Italy, and Greece) and in Poland. These losses are having a large impact on the global honey trade as the US and EU move towards foreign supplies to make up for lost domestic production.

Figure 1: World Production of Natural Honey
Share by Volume, 2010



Source: FAOStat

Total: 1.54 million MTs

[1] During the 2010-2011 winter period, US honey bee losses (not limited to CCD) were 30%, which was in the same range as losses recorded in 2007 and 2009. Most beekeepers indicated that this level of loss was economically unsustainable for beekeeping operations. Large-scale commercial beekeepers indicated that losses were due to several contributing factors, including poor queens, Varroa mite, pesticides, and CCD. (USDA, CCD Progress Report, June 2011)

[2] According to a 2011 report, preliminary results of the EU bee surveillance system show that a 10% colony loss is normal and that CCD has caused losses of up to 30% in certain [EU] countries and years (CBI, Trends and Segments for Honey, August 2011).

In 2010, **China** was the most significant global producer, producing 398,000 MTs, or 26% of the global share by volume. The next largest producers were **Turkey** at 81,115 MTs (or 5.3%), **US** at 79,800 MTs (or 5.2%), and **Ukraine** at 70,800 MTs (or 4.6%). Argentina is also a major honey producer, but extreme climatic conditions such as drought and floods caused production to drop from 110,000 MTs to 59,000 MTs (or by 46%) from 2005-2010. The EU and Africa produced 203,600 MTs (13%) and 179,400 (12%) of global supply, respectively.

From 2006-2011, Germany and the UK were the largest EU import markets for honey, but Belgium and Poland were the fastest growing

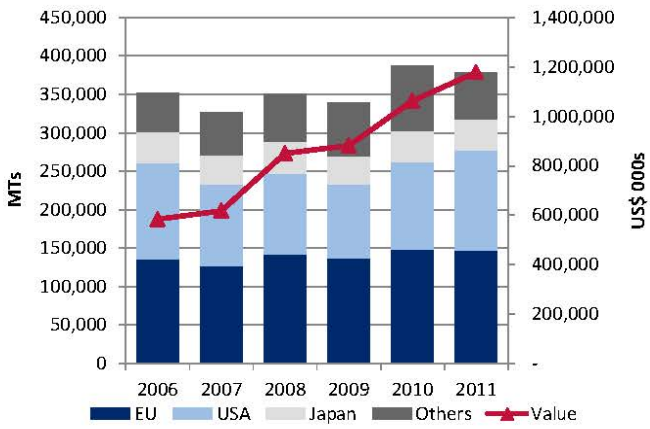
Within Africa, **Ethiopia** is the largest producer of honey. From 2005-2010, Ethiopian honey production increased 26% from 36,000 MTs to 45,300 MTs. Ethiopia produces dozens of honey varieties based on pollen source, season, and agro-ecological region of production (these factors also determine production and harvest cycles). Honey consistency and color range from white varieties that are buttery-creamy or sandy-sugary, to red varieties that are tart and acidic, with aromatic amber and yellow varieties in between. The white, grainy honey from Tigray, the most northern region of Ethiopia, is made from a local blossom of the sage plant family, known as labiate, which gives it its unusual color. The smooth, amber-colored honey produced near the Wenchi crater located about 120 kilometers east of Addis Ababa is made from tree heath, a variety of the *Erica* species flower found in the crater.

MARKET

From 2006-2011, global imports of honey (excluding intra-EU trade[3]) increased by 7% from 352,581 MTs to 378,994 MTs. Over the same period, global import values increased dramatically from $583.9 million to $1.17 billion or by 102%. The sharp increase in value is attributed to the poor honey harvests in the US, EU, and Argentina, which created critical supply shortages on the global market.

The **EU** has the highest per capita honey consumption in the world and produced enough honey to fulfill approximately 60% of its demand in 2010.[4] From 2006-2011, EU imports (excluding intra-EU trade) increased by 8% from 135,325 MTs to 146,742 MTs and equivalent values rose by 91% from $222.9 million to $425.2 million. In general, EU consumers prefer light honey (i.e. *white, extra light amber, light amber*) as opposed to dark honey (i.e. *amber*).

Figure 2: World Imports of Natural Honey



Source: UN Comtrade, USDA-GATS, Eurostat (Excludes Intra-EU trade)

From 2006-2011, **Germany** was the largest import market within the EU, but import volumes decreased from 88,440 MTs to 77,360 MTs or by 13%. Germany is the second largest EU producer of honey (after Spain) and produced 23,137 MTs in 2010. The German trading centers for honey are primarily located in Bremen and Hamburg. The **United Kingdom** was the second largest EU market and, unlike Germany, saw its imports increase from 2006-2011. During this period, UK imports rose by 21% from 29,512 MTs to 35,633 MTs. The UK is a minor producer of honey, totaling 6,300 MTs in 2010. The UK primarily trades honey out of its capital London.

[3] Excluding intra-EU trade means that trade data between EU member states was not included. This prevents double counting re-exports (e.g. Belgian imports that are later re-exported to Germany or the UK, and counted as imports for a second time), which would inflate the actual size of the EU market.
[4] Fintrac calculation based on 2010 EU production (FAOStat), and imports/exports (UN Comtrade)

The third largest market for honey in the EU is **France**, which saw its imports increase from 22,505 MTs to 27,153 MTs or by 21%, from 2006-2011. France is the 6th largest producer of honey in the EU, producing 15,974 MTs in 2010.

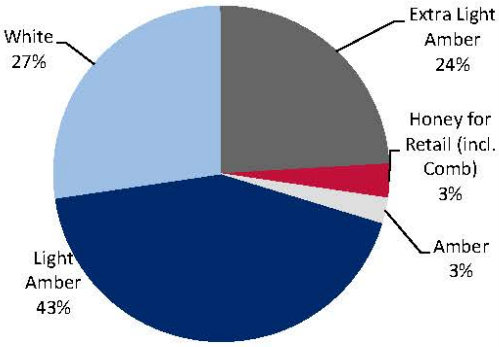
The US is becoming increasingly reliant on foreign imports to satisfy demand due to domestic production problems

Belgium was the fourth largest EU import market and the second largest in terms of import growth. From 2006-2011, Belgian imports rose by 122% from 9,473 MTs to 21,055 MTs. The primary beneficiary of the growth was China; with secondary supplies coming from Mexico and Argentina. Belgium growth in honey imports is due to its emerging role as a re-exporter of Chinese imports to other EU member states. The port of Antwerp is a major point of entry, but not all imports are handled by Belgian companies. German, French and Dutch companies are known to import at Antwerp and transport the honey directly via their own trucks.

Although only the seventh largest EU import market in 2011, **Poland** experienced the sharpest import growth in the region at 140%. From 2006-2011, Polish imports rose from 5,677 MTs to 13,609 MTs. Ukraine was traditionally the largest supplier averaging approximately 1,800 MTs per year, but was overtaken by China in 2010. According to a 2011 CBI report[5], Polish consumption is 550 grams per capita, which is lower than the EU average of 650 grams per capita. By most measures, the growth potential can be considered high and may continue into the foreseeable future. Interestingly, similar to Ethiopia, Poland has a large domestic alcoholic honey mead market. Colloquially known as *miód pitny*, honey mead has maintained its popularity in Poland (and Lithuania), while its presence in other EU markets has declined.

The **US** is the second largest honey market in the world and is heavily reliant on imports to meet domestic demand. In 2010, the US produced enough honey to meet 42% of its demand.[6] In 2011, this figure dropped to 35% due to a sizeable decline in in domestic honey production.[7] From 2006-2011, US imports of honey increased by only 4%, from 125,940 MTs to 130,494 MT, while equivalent values rose by 124% from $172.7 million to $387.2 million.

Figure 3: US Imports of Honey by Type
Market Share by Volume, 2011



Source: USDA-GATS

Japan is the third largest market and nearly entirely reliant on imports. In 2010, the country produced enough honey to fulfill only 5% of its demand. From 2006-2011, Japanese imports were flat and hovered around 40,000 MTs per year. Japan sourced the majority of their honey from neighboring China, with much smaller amounts originating in Argentina and Canada. As elsewhere, Japanese consumers prefer lighter grades of honey.

The Middle East: Saudi Arabia, the fourth largest market, produces a marginal amount of honey and relies on imports to meet domestic market demand. From 2006-2011, imports declined an estimated 22% from 13,362 MTs to 10,474 MTs, while values rose 30% from $34 million to $44.1 million. The country mainly sources from Mexico and Pakistan, with smaller amounts from Argentina and India. Overall, the Middle East is a major consumer and import market for honey. The Koran refers to honey's healing/medicinal properties and honey consumption across the Middle East rises during religious and festive occasions, particularly during the month of Ramadan (July- early August 2013). Notable importers include **United Arab Emirates** (~2,000-3,000 MTs per year), **Oman** (~1,100 MTs per year), **Kuwait** (~750 MTs per year), **Jordan** (~700 MTs per year), **Yemen** (~600 MTs), and **Qatar** (~450 MTs per year). Yemen is traditionally the largest honey manufacturer in the Arabian Peninsula and produces the highest quality (and consequently the most expensive) honey from the ancient Sidr tree (*Ziziphus spina-christi*).

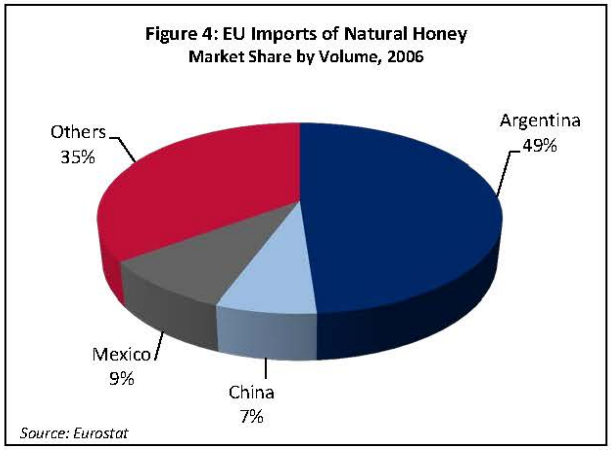
[5] CBI or Centre for the Promotion of Imports for Developing Countries: http://www.cbi.eu/

[6] Fintrac calculation based on 2010 and 2011 US production (USDA-NASS), and imports/exports (USDA-GATS) data

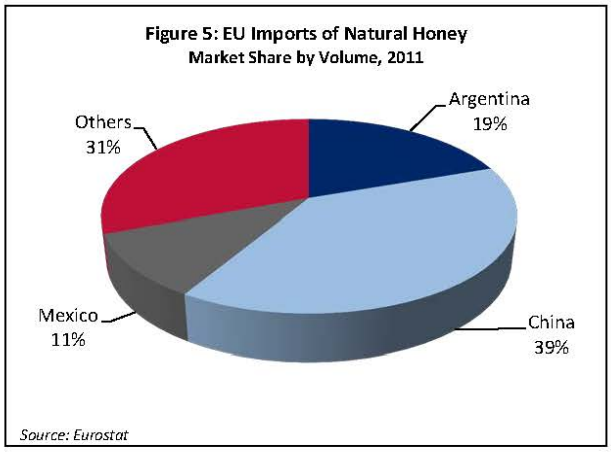
[7] Honey production in 2011 from [US] producers with five or more colonies totaled 148 million pounds, down 16 percent from 2010. (USDA, March 2012) http://usda01.library.cornell.edu/usda/nass/Hone/2010s/2012/Hone-03-30-2012.pdf

SUPPLIERS

China, the world's biggest honey producer, accounted for 39% of all world honey imports (excluding intra-EU trade) in 2011. China is the largest supplier to the EU market, specifically Belgium, Spain, United Kingdom, and Poland, while exports to Germany and the Netherlands are on the rise. The trade relationship has not always been a harmonious one. From 2002-2004, the EU banned Chinese honey imports due to products tainted with antibiotics including chloramphenicol,[8] streptomycin, and tetracycline. The EU lifted the ban in 2004 after China agreed to reduce the level of contaminants in its honey. Due to its lower price and relatively recent restoration of trade, Chinese honey has seen above average growth in the EU market. The majority of this growth is in the low-end market segment and does not threaten the higher quality monofloral honey market segment.



Once a major supplier to the US market, Chinese exports have drastically declined after an anti-dumping duty of 221% was imposed by the US Department of Commerce in late 2001. From 2001-2011, US imports of Chinese honey declined from 17,713 MTs to 1,530 MTs. The anti-dumping duty is linked to the 2002-2004 EU ban over antibiotic contamination. In the late 1990s, Chinese exporters lost significant global market share due to poor production brought on by a bacterial outbreak among its bee colonies. Once Chinese producers contained the outbreak with antibiotics (sparking the EU ban), they sought to gain back their former US market share by "dumping" their honey at 150% below market price. This triggered an anti-dumping duty which was later modified to $2.63 per kilogram in 2009.[9] As of August 2012, the duty remained in effect.



The EU ban and US anti-dumping duty of the early 2000s gave rise to the illegal traffic of adulterated Chinese honey through third-party countries. For instance, in June 2010, the EU banned **Indian** honey due to a lack of traceability regarding origin, adulteration, and contamination by heavy metals[10] and antibiotics. The US has not banned Indian honey, but there is strong suspicion that a considerable portion of imports from India are of Chinese origin. From 2001-2011, US imports of Indian honey increased from 20 MTs to 26,837 MTs. Similar export increases to the US were also recorded from **Vietnam,**[11] **Malaysia, Taiwan, Indonesia,** and **Thailand**, over the same period. A US industry representative questioned on the subject confirmed that

[8] "The reason chloramphenicol had appeared in Chinese bee products is that in 1997-98 there was a bacterial epidemic (i.e. "foulbrood") that affected bee hives which threatened the entire industry. To treat the disease, bee keepers either destroy the affected hives or, as they did in China, apply antibiotics to the hives. A portion of the applied antibiotics can then become incorporated into the bee products." http://www.itmonline.org/arts/bees.htm

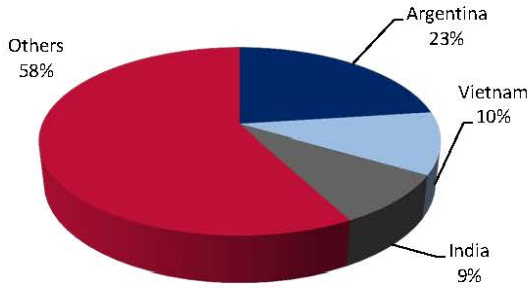
[9] The rate of $2.63 per kg has remained unchanged as of August 2012: "Honey From the People's Republic of China: Preliminary Results of Review" https://www.federalregister.gov/articles/2012/08/06/2012-19151/honey-from-the-peoples-republic-of-china-preliminary-results-of-review

[10] "Heavy metal contamination is from lead, which is a tell-tale sign that some of this honey originated in Chinese provinces where use of containers without food liners to prevent heavy metal migration into the honey is common among smaller beekeepers" http://www.americanhoneyproducers.org/Members/Tsunami%20of%20Indian.pdf

[11] From 2006-2011, US imports of Vietnamese saw very high growth of 108% (13,263 MTs to 27,630). Vietnamese supply was largely destined for the wholesale market and was mainly comprised of light amber honey, with small amounts of white, extra light amber, and amber honey. Supply from India was principally white and extra light amber honey, with some light amber for the wholesale market (USDA-GATS).

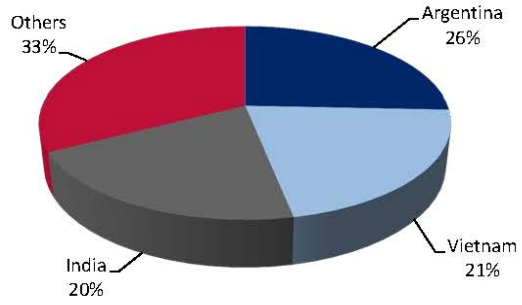
the "entire community" (i.e. honey industry) is aware that low quality Chinese honey is being dumped on the US market via India, Vietnam, and other East Asian countries. As a result, according to a 2011 US report, approximately one-third or more of all the honey consumed in the US is likely to have been smuggled in from China.[12] As a way to hide the origin of the smuggled honey, exporters are "ultra-filtering" honey in order to remove pollen, which is the only definitive way of identifying the source of the honey. The illicit laundering and trade of Chinese honey has not negatively impacted the reputation of traditional honey suppliers such as **Argentina**, **Brazil**, **Canada**, **Uruguay,** and **Mexico**.

Figure 6: US Imports of Natural Honey
Market Share by Volume, 2006



Source: USDA-GATS

Figure 7: US Imports of Natural Honey
Market Share by Volume, 2011



Source: USDA-GATS

Argentina was the second largest producer in the world in 2007, but has since slid to fifth place in 2010 due to poor climatic conditions and diminishing forage space for bees. Drought conditions have hit certain honey producing regions, while floods have destroyed low-lying bee colonies in other areas. Argentina is also struggling with reduced forage area (i.e. nectar sources) for bees since more land is being converted to farmland for growing corn and soybeans. From 2005-2011, Argentine production declined from 110,000 MTs to 59,000 MTs. Production recovered somewhat in 2011 to 65,000 MTs, but a reduced Argentine honey crop is expected in 2012 due to drought conditions. It should be noted that the same drought conditions apply to much of **Chile** and **Uruguay,** as well as parts of **Brazil**.

In the EU market, Argentina exports have suffered due to GMO pollen concerns,[13] as well as the resurgence of lower-priced Chinese honey. From 2006-2011, Argentina's share of the EU market by volume has declined from 49% to 19%. Most the decline was due to diminishing German and British purchases, while exports to Belgium, France, and Italy were relatively stable. As result of the decline, Argentine producers began to shift exports towards the US market. Over the same period, Argentine's share of the US market by volume increased from 23% to 26%. This transition was spurred on by the recent (i.e. as of mid-2008) strengthening of the US dollar against the Euro. US imports of Argentine honey were split relatively evenly between extra light amber, light amber, and white honey, with very small amounts of amber or dark honey. Practically all imports were destined for the wholesale market (i.e. repackaging).

From 2006-2011, **Mexico** was the third largest supplier to the EU, with exports rising from 12,424 MTs to 15,717 MTs or by 27%. The majority of Mexican honey (~12,000 MTs per year) was purchased by Germany, with the UK being the secondary EU buyer. A June 2012 article[14] stated that Germany has been aggressively buying Mexican *Yucatan* honey. It should be noted that 95% of honey production in the Yucatan Peninsula is exported to the international market, and specifically to the EU. The *Yucatan* crop typically ends in July, but finished in late May in 2012 due to climatic conditions.

[12] "Asian Honey, Banned in Europe, Is Flooding U.S. Grocery Shelves" Food Safety News; August 2011 http://www.foodsafetynews.com/2011/08/honey-laundering/#.UD6TbqDMiSo

[13] Court of Justice of the European Union published the judgment, "Honey and food supplements containing pollen derived from a GMO are foodstuffs produced from GMOs which cannot be marketed without prior authorization" on September 6, 2011 http://curia.europa.eu/jcms/upload/docs/application/pdf/2011-09/cp110079en.pdf

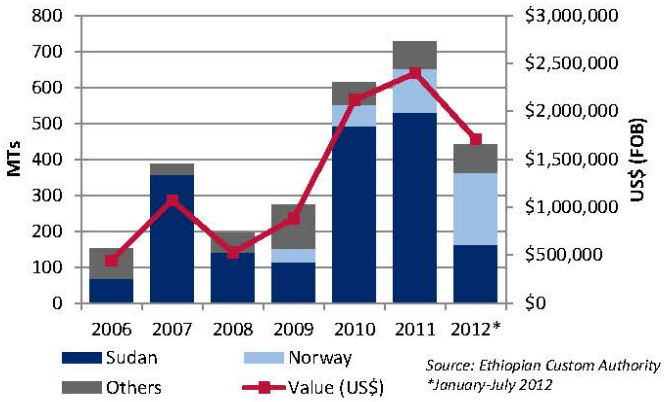
[14] Public Ledger; June 2012 http://www.agra-net.com/portal2/pl/home.jsp?template=pubarticle&artid=1336552468938&pubid=ag047

From 2005-2010, overall honey production was stagnant and a 2011 CBI report noted that supplies are expected to remain tight.

Ethiopia only exports a small amount to the international market, with the majority of exports being shipped to neighboring Sudan (531 MTs in 2011). From 2009-2011, Norway emerged as the second largest importer, with purchases rising from 40 MTs to 121 MTs. From January to July 2012, Norway imported 200 MTs, surpassing its 2011 import total. This rise is due to assistance from a Norwegian processor and distributor of honey, as well as from Norway's development agency (NORAD) and its Development Fund.[15] Within the EU, from 2006-2011, the UK was the largest buyer, but imports never surpassed 45 MTs for any given year. Within the Middle East, Saudi Arabia and Yemen were the top two buyers, averaging 21 MTs and 14 MTs per year, respectively. Kuwait and UAE also recorded small amounts of imports from Ethiopia.

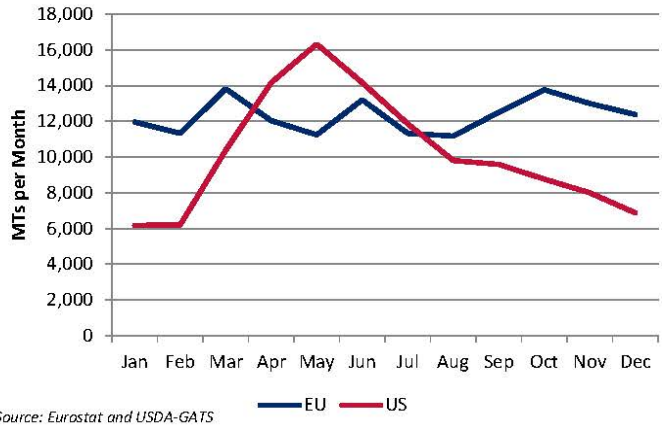
Tanzania is the second largest honey producer in Africa and the top African supplier to the EU. From 2006-2011, Tanzanian exports to the EU declined from 385 MTs to 327 MTs, with Belgium and Germany being the primary buyers. It should be noted that in 2010, **Zambia** was the largest African supplier to the EU, exporting 518 MTs (mostly to Belgium). However, in 2011, Zambian supplies to the EU dropped to 67 MTs in 2011. Africa does not export any significant amounts of honey to the US market.

Figure 8: Ethiopian Exports of Natural Honey (*All Types*)



Source: Ethiopian Custom Authority
**January-July 2012*

Figure 9: EU and US Imports of Honey, Seasonality Montly Average (MTs), 2010-2011



Source: Eurostat and USDA-GATS

SEASONALITY

Unlike many fresh agricultural products, honey is not highly perishable, and can be stored for long periods of time under appropriate conditions. Nonetheless, honey imports experience limited seasonal fluctuations, since honey harvests are limited to certain periods of the year according to the region of production.

From 2009-2011, **EU imports** of honey generally have three peak periods: February to March, May to June, and August toOctober. While these increases are apparent, they are not significant, rising by a maximum of 10-20% during these peak periods. As the EU is a major producer of honey for its own consumption (particularly Spain, Germany and Romania), large seasonal supply windows are not evident. Regardless, imports almost always stay above 10,000 MTs per month.

[15] Norwegian Embassy in Ethiopia; May 2010: http://www.norway.org.et/News_and_events/business/Sweet-Trade/

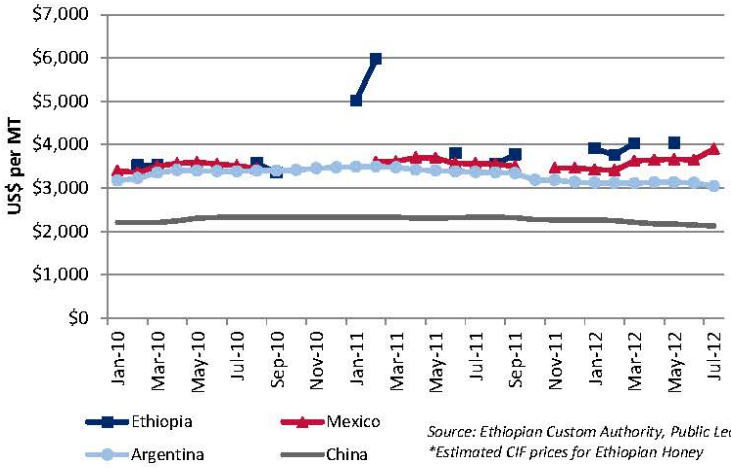
US imports typically have one major peak that occurs from February to April/May. These months coincide with the "over-wintering" period for bees (i.e. when they feed on the honey they amassed from Spring-Fall). Imports begin to decline in June when US production rebounds with the arrival of spring. Imports generally never fall below 5,000 MTs per month.

PRICES

Developments in Argentine, Chinese, and Mexican production tend to have a strong influence on honey prices paid by EU importers. Next to general quality determinations, color is the single most important factor determining import and wholesale prices. Honey color is frequently given in millimeters on a Pfund scale (see Table 5 in Appendix). On the whole, lighter grade honeys garner a higher price on the international market due to lower supply volumes when compared to darker grades.

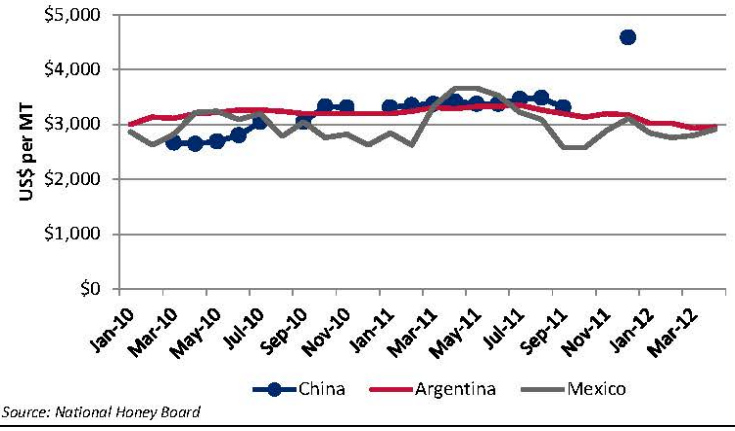
From January 2010 to August 2012, **EU prices** (CIF[16]) for three grades (white, extra light amber, and lighter amber) of Chinese honey decreased from an average of $2,212 to $2,110 per MT. Beginning in April 2010, prices began to rise before plateauing at $2,337 per MT from July 2010 to September 2011. The price rise was due to poor EU production and the ban on Indian honey, forcing importers to look for other suppliers.

Figure 10: European Prices for Foreign Honey
US$ per MT (CIF)*



Source: Ethiopian Custom Authority, Public Ledge
**Estimated CIF prices for Ethiopian Honey*

Figure 11: US Prices for Foreign Honey
US$ per MT, CIF



Source: National Honey Board

EU prices (CIF) for Argentine honey are higher than Chinese grades due to differences (objective and perceived) in quality. From January 2010 to August 2012, average EU prices for four grades (white, extra light amber, light amber, and amber) decreased from $3,171 to $3,030 per MT. Similar to Chinese honey, Argentine prices also rose in April 2010 and plateaued at $3,494 per MT before declining in September 2011.

[16] CIF or Cost Insurance Freight, is the price of a good delivered at the border of the importing country, including any insurance and freight charges incurred to that point, or the price of a service delivered to a resident, before the payment of any import duties or other taxes on imports or trade and transport margins within the country. (OECD - http://stats.oecd.org/glossary/detail.asp?ID=332)

Due to its limited availability and high quality, EU prices (CIF) for Mexican honey are the most expensive of the three largest suppliers. From January 2010 to August 2012, Mexican Orange Blossom honey averaged $3,752 per MT, while the darker grade *Yucatan* honey averaged $3,489 per MT. In general, EU importers were reported to have bought up Mexican honey relatively quickly, which prevented price fluctuations witnessed by Chinese and Argentine honey. EU prices from all three suppliers are expected to remain firm due to poor European production and strong demand from US and Japan.

Ethiopian supply to the EU is erratic and limited to only a handful of European countries. EU Prices (CIF) for Ethiopian honey are on average $100 to $300 higher than Mexican honey. From February 2010 to May 2012, EU prices for Ethiopian honey rose from $3,520 to $4,033 (grades unspecified).

From January 2010 to April 2012, **US prices** (CIF) for Argentine honey was stable and averaged $3,183 per MT, while Mexican honey averaged $2,982 per MT. From March 2010 to December 2011, US prices for Chinese honey rose from $2,668 to $4,586 per MT, due in part to the countervailing duty. As of August 2012, the US had very little carryover honey from last years' poor crop; US raw honey prices are rising as a result.

According to a US industry source, US imports higher quality Chinese honey, whereas the EU generally imports lower quality "bakers" honey. Therefore, on average, US prices for Chinese honey are $900-$1,000 higher than EU prices (January 2010-April 2012). Overall, global honey prices are not expected to fall in the near future due to heavy demand from the EU and US. As of early 2012, global honey supplies remained tight, particularly for white grade honey. Due to short supplies, importers and industrial users are increasingly looking at other grades such as extra light amber and light amber to fill the gap. This supply pressure will buoy prices for all grades and guard against serious price declines.

Traditional woven log-hive of Ethiopia made from wood, bark, mud, and plant stems. (Productivity: 3-5 kg per year)

"Honey Super" or wooden boxes that are used to store honey. The Queen bee and her brood are located in the bottom box, while the surplus honey to be harvested is located in the top box. (Productivity: 30-45 kg per year)

STANDARDS, LAWS AND REGULATIONS

Tariff and Trade

- **EU** imports of honey have a general 17.30% duty rate for third-party countries. Ethiopia qualifies for a 0% tariff rate due to the Everything but Arms Treaty.[17] Mexico has a reduced rate of 8.6%.
- **US** imports of honey have a general duty of 1.9 cents per kilogram (Most Favored Nation rate) and 6.6 cent per kilogram for Cuba and North Korea. Ethiopia qualifies for a 0% tariff rate due to the African Growth and Opportunity Act (AGOA[18]) that was implemented in October 2000. Mexico has a 0% import duty rate for honey.
- **Japan** has an import honey duty rate of 25.50% (MFN rate) and 30% general rate. Ethiopia is a member of the Least Developed Countries (LDC[19]) group, which qualifies it for a 0% tariff rate.
- **Saudi Arabia** and the **United Arab Emirates** have a general 5% duty rate (*Ad valorem* duty) for honey imports.

Grades and Standards

The **CODEX** standard that applies to honey is *CODEX STAN 12-1981*,[20] which outlines the minimum international standards related to the naming, chemical properties, level of contaminants, and labeling of honey, among other

[17] In February 2001, the Council adopted Regulation (EC) 416/2001, the so-called "EBA Regulation" ("Everything But Arms"), granting duty-free access to imports of all products from LDCs, except arms and ammunitions, without any quantitative restrictions (with the exception of bananas, sugar and rice for a limited period). http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences/everything-but-arms/

[18] African Growth and Opportunity Act: http://www.agoa.gov/AGOAEligibility/index.asp

[19] United Nations, Least Developed Countries: http://www.unohrlls.org/en/ldc/25/

[20] CODEX, Standard for Honey: http://www.codexalimentarius.org/download/standards/310/cxs_012e.pdf

characteristics. The regulations generally aim to preserve the purity of honey as an unprocessed raw agricultural material, with limited modifications to its chemical composition.

The **EU** has outlined its specific minimum product standards for honey regarding labeling, quality, and contaminant levels most comprehensively in Council Directive 2001/110/EC.[21] The requirements are quite detailed; in summary, the directive defines honey and related products, and provides the minimum composition criteria for human consumption, such as sugar and moisture content, as well as chemical properties and disease activity.[22] Compliance with these standards is ensured through the conformance to a Residue Monitoring Plan by "third country" exporting countries, with product verification taking place in approved laboratories. Other directives related to the import of products of animal origin and the use of veterinary medicinal products also apply. However, despite varying consumer preferences and price for different honey varieties (color and flavor), there are no criteria specified to distinguish between them as different grades.

The **US** provides specific standards[23] for the grading and classification of honey according to characteristics similar to CODEX and the EU, though also provides a mechanism to grade honey according to quality, clarity, and flavor. However, classification according to these standards is voluntary for the importer or reseller of honey in the US, so long as the product's import conforms to the regulations governing inspection and certification of processed fruits and vegetables (7 CFR part 52[24]). In 2011, 74 FR 32389 came into effect, which stipulates that honey bearing a USDA-issued grade standard must include information on the country of origin.[25]

Packaging
While the CODEX standards **EU**'s Council Directive 2001/110/EC provide specific guidance related to the labeling of honey, other general laws and regulations related to the labeling and packaging of imported food products to the EU also apply to honey imports (see footnote 14). Regulations specific to honey include labeling honey products according to country of harvest and degree of filtration. There do not appear to be specific regulations related to packaging, but there are strong preferences.[26]

Postharvest Handling
Council Directive 2001/110/EC also outlines the EU's standards specifically related to the processing of honey, which are generally aligned with those included in the CODEX standards. For example, honey may be filtered to the extent that it removes organic and inorganic foreign matter, though should not be filtered to the extent that it removes pollen. Other standards state that honey shall not have been heated or fermented, intentionally or unintentionally, or shall not have its acidity artificially modified. As mentioned above, other broader EU regulations related to the packaging and transport of imported food products also apply to honey.

OUTLOOK

As world honey imports continue to increase at a modest rate, and world honey prices rise much faster, the outlook for honey production and commercialization appears to be promising. However, the same threats that decreased production and drove up prices in the United States and Europe remain threats throughout the rest of the world. Considering the uncertainty surrounding the cause of Colony Collapse Disorder, the risks of investing in honey are not to be ignored.

Nonetheless, as world demand continues to increase for honey, successful honey producers and traders are likely to continue earning profits thanks to the growing market and flagging production in major consumer markets. Ethiopia should target their exports to the EU due to its past experience in importing African honey, market size, relative close proximity, and favorable price structure. Ethiopia could export both high-quality monofloral honey and low-end polyfloral honey. It should be noted that China's EU presence in the low-end polyfloral honey market segment is expected to increase in the coming years barring unforeseen circumstances (i.e. contamination issues, increased EU production). Mexico is a top supplier of premium monofloral honey and has seen steady rise in its EU market share. A Belgian importer stated that his company "can sell this [i.e. Ethiopian] honey in the European market" if it is of good quality and has a competitive price.

[21] Official Journal of the European Communities, Council Directive: http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:010:0047:0052:EN:PDF
[22] Compliance with EU buyer requirements, Honey: http://www.cbi.eu/marketinfo/cbi/docs/honey_compliance_with_eu_buyer_requirements
[23] US States Standards for Grades of Honey: http://www.ams.usda.gov/AMSv1.0/getfile?dDocName=STELDEV3011895
[24] US National Archives and Records Administration; Title 7 Agriculture, Part 52 http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=652bc0ad5336da738d572565f6bab7e9&rgn=div5&view=text&node=7:2.1.1.3.21&idno=7
[25] Country of Origin Labeling of Packed Honey; USDA-AMS http://www.gpo.gov/fdsys/pkg/FR-2011-01-04/html/2010-33137.htm
[26] Honey and Beeswax Value Chains; August 2005: http://www.beesfordevelopment.org/uploads/Ethiopia_vc-honey-beeswax2005.pdf

Consequently, Ethiopia should be able to expand into the EU market if the country is able to compete with Chinese and Mexican prices in their respective market segments.

Within the EU, Germany, the United Kingdom, Belgium, and Poland are attractive markets for Ethiopian honey. Germany, the largest individual market within EU, imports a fair amount of monofloral honey (particularly from Mexico) and has experience working with African suppliers. From 2009-2011, Germany imported an average of 180 MTs from Tanzania, but only purchased 20 MTs from Ethiopia in 2010. As the second largest EU market, the UK has seen a steady rise in imports since 2006 and this trend is expected to continue due to bee colony losses. Ethiopia has its greatest EU market presence in the UK and averaged exports of 30 MTs per year from 2008-2011. Belgium and Poland were the EU's top two import growth markets over the 2006-2011 period. Belgium is a major re-exporter within the EU (i.e. the honey is not domestically consumed) and was a top destination for Tanzanian and Zambian honey. Poland, which had the greatest import growth, may be a difficult market to enter as the country has not imported any African honey as of 2006.

Overall, the biggest obstacle to entering the EU market is meeting its Residue Monitoring Plan (RMP) that is required to be on the "third country list." EU legislation prohibits honey imports from countries which are not on the list. In 2008, Ethiopia met the RMP criteria and was put on the list. However, approval for export to the EU is producer-specific, limited to companies that have been approved according to sample analysis and traceability requirements. Consequently, the approval process requires sustained attention to quality over time.

As a secondary market, the Middle East presents an excellent opportunity to develop Ethiopia's honey exports. Saudi Arabia is the largest market and Ethiopia already exports one to two dozen metric tons per year (from 2006-2011). The UAE, Oman, Yemen, Jordan, Kuwait, and Qatar also have noteworthy import markets. Ethiopia could take advantage of production disruptions in Yemen (civil conflict), which has traditionally supplied the Arabia Peninsula with honey.

Overall, Ethiopia is well-positioned to expand its presence in the EU and Middle East markets, as well as enter the US market once they firmly establish themselves as a high-quality honey exporter. Over the past decade, the EU has instituted multi-year bans on Brazilian, Vietnamese, Indian, and Chinese exports, while the US has implemented a significant anti-dumping duty on China. Ethiopia can promote itself as a trusted and viable alternative supplier if they are able to improve their production, harvesting, and processing techniques.

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Appendix

Table 1: World Imports of Natural Honey *(All Types)*

Importers	2006		2007		2008		2009		2010		2011	
	MTs	$000s	MTs	$000s	MTs	$000s	MTs	$000s	MTs	$000s	MTs	$000s
EU*	135,325	$222,942	127,033	$239,514	142,306	$354,552	137,338	$370,207	148,779	$406,696	146,742	$425,270
USA	125,940	$172,777	105,676	$162,806	104,986	$221,046	95,495	$220,300	114,125	$292,739	130,494	$387,255
Japan	40,072	$62,113	37,887	$67,053	41,682	$85,182	36,919	$87,234	39,950	$100,248	40,584	$117,662
Saudi Arabia**	13,362	$34,003	9,139	$27,127	7,918	$27,344	8,220	$29,482	12,809	$48,332	10,474	$44,155
Switzerland	6,415	$18,511	7,045	$21,755	7,244	$27,201	7,549	$32,743	7,893	$35,195	7,432	$36,923
Others	31,466	$73,595	39,309	$99,535	47,049	$135,428	53,635	$141,788	64,554	$180,218	43,269	$167,426
Total	**352,581**	**$583,940**	**326,089**	**$617,791**	**351,185**	**$850,752**	**339,156**	**$881,754**	**388,109**	**$1,063,427**	**378,994**	**$1,178,691**

*Source: UN Comtrade, USDA-GATS, Eurostat, HS Code 0409.00.00, *Excludes Intra-EU trade, **2011 data estimates based on World exports to Saudi Arabia*

Table 2: EU* Imports of Natural Honey (*All Types*)

Suppliers	2006		2007		2008		2009		2010		2011	
	MTs	$000s	MTs	$000s	MTs	$000s	MTs	$000s	MTs	$000s	MTs	$000s
Argentina	66,147	$100,037	53,875	$92,965	51,476	$127,934	38,665	$107,956	32,582	$97,003	28,767	$89,874
China	9,170	$10,686	9,818	$13,428	24,635	$40,497	32,623	$56,189	50,115	$83,993	57,157	$105,437
Mexico	12,424	$23,490	21,205	$40,184	22,250	$54,713	18,420	$54,885	18,226	$56,885	15,717	$53,976
Uruguay	9,551	$14,334	12,577	$20,972	8,382	$21,319	5,916	$16,229	6,998	$19,942	7,611	$22,846
Chile	6,648	$10,761	6,572	$12,233	9,158	$23,872	9,578	$29,302	9,226	$31,534	7,506	$28,249
Others	31,386	$63,633	22,985	$59,733	26,406	$86,217	32,137	$105,647	31,632	$117,338	29,984	$123,888
Total	**135,325**	**$222,942**	**127,033**	**$239,514**	**142,306**	**$354,552**	**137,338**	**$370,207**	**148,779**	**$406,696**	**146,742**	**$425,270**

*Source: Eurostat HS Code 0409.00.00, *Excludes Intra-EU trade*

Table 3: US Imports of Natural Honey *(All Types)*

Suppliers	2006		2007		2008		2009		2010		2011	
	MTs	$000s	MTs	$000s	MTs	$000s	MTs	$000s	MTs	$000s	MTs	$000s
Argentina	28,878	$45,614	20,379	$35,817	10,043	$29,335	10,899	$32,324	17,414	$54,228	33,502	$105,939
Vietnam	13,263	$16,703	15,707	$23,211	19,378	$36,266	17,430	$34,477	20,934	$46,947	27,630	$67,582
India	11,090	$15,262	7,671	$12,633	13,648	$27,691	13,137	$28,262	18,462	$46,357	26,837	$75,067
Brazil	10,806	$17,166	12,103	$19,884	13,598	$31,376	17,709	$42,548	10,036	$28,958	14,981	$47,097
Canada	11,576	$25,063	13,961	$29,782	17,305	$52,112	8,302	$28,558	11,053	$39,716	7,148	$27,617
Others	50,328	$52,968	35,856	$41,478	31,014	$44,265	28,018	$54,131	36,226	$76,534	20,396	$63,953
Total	**125,940**	**$172,777**	**105,676**	**$162,806**	**104,986**	**$221,046**	**95,495**	**$220,300**	**114,125**	**$292,739**	**130,494**	**$387,255**

Source: USDA-GATS HS Codes 409000005, 409000010, 409000025, 409000035, 409000042, 409000044, 409000045, 409000056, 409000062, 409000064, and 409000065

Table 4: Ethiopian Exports of Natural Honey *(All Types)*, US$ FOB

Buyers	2006		2007		2008		2009		2010		2011		2012*	
	MTs	US$	MTs	US$	MTs	US$	MTs	US$	MTs	US$	MTs	US$	MTs	US$
Sudan	69	$147,463	357	$985,635	141	$313,935	113	$369,943	492	$1,674,100	531	$1,671,906	163	$609,674
Norway							40	$142,259	60	$203,420	121	$447,241	200	$783,873
Saudi Arabia	16	$48,284	11	$27,393	6	$15,620	60	$170,940	13	$48,712	22	$75,190	18	$93,161
UK					30	$120,361	44	$126,872	17	$65,853	31	$107,511	21	$68,839
Yemen	30	$83,963	13	$34,961	17	$65,211	13	$54,721	8	$30,211	6	$30,645	10	$50,062
Others	36	$163,091	6	$22,525	2	$10,342	5	$19,375	25	$94,585	18	$64,528	30	$102,147
Total	**151**	**$442,800**	**387**	**$1,070,514**	**196**	**$525,470**	**274**	**$884,109**	**615**	**$2,116,881**	**729**	**$2,397,020**	**443**	**$1,707,757**

*Source: Ethiopian Custom Authority, HS Code 0409.00.00, *January-July 2012*

Table 5: USDA Honey Color Standards		
Designations	**Pfund scale (mm)**	**Optical Density**
Water white	0 to 8	0.0945
Extra white	> 8 to 17	0.189
White	> 17 to 34	0.378
Extra light amber	> 34 to 50	0.595
Light amber	> 50 to 85	1.389
Amber	> 85 to 114	3.008
Dark amber	> 114	n/a

Source: USDA http://www.honey.com/images/downloads/exhoney.pdf