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Global Agricultural Information Network

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Ethiopia

Post: Addis Ababa

Ethiopia's Oilseed Sector Set to Expand

Report Categories:

Oilseeds and Products

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Report Highlights:

The production of sesame and soybeans is forecast to climb in MY18/19 (Oct-Sep), while Niger seed production is expected to remain unchanged. Production is expected to increase in the future to meet growing consumer demand. Sesame is the country's top oilseed export followed by Niger seed and soybeans.

Background:

Ethiopia's oilseed sector plays an important role in generating foreign exchange earnings for the country. In MY16/17 (Oct-Sep), exports of major oilseeds— sesame, Niger seed, and soybeans – generated nearly \$360 million in export earnings. In addition, the oilseed sector provides income to millions of growers and others market actors along the value chain.

The production of sesame and soybeans is forecast to climb in MY18/19 (Oct-Sep), while Niger seed production is expected to remain unchanged from the previous year. Looking ahead, Post expects production of these oilseeds will increase to meet the growing demand for cooking oil and livestock feed, most notably soybean meal for poultry production. The Government-backed [Integrated Agro-Industrial Parks \(IAIPs\)](#) will offer new opportunities to process this anticipated increase in oilseed production, suggesting that cooking oil imports could slacken in the future. One of the planned parks in Amhara will reportedly have a processing capacity of 2 million metric tons of oilseeds, more than double the volume of oilseeds currently produced in the country. See table 1 for historical production figures.

Table 1: Annual Production Volume of Major Oilseeds (metric tons)				
Crop/Year	2017/18	2018/19	Year-to-Year Variation	% Change
Sesame seed	390,000	415,000	25,000	6%
Niger seed	300,000	300,000	-	-
Soybean	115,000	120,000	5,000	4%
Total	805,000	835,000	30,000	4%

Source: FAS Addis Ababa Estimates

Sesame Seed

Production:

MY18/19 (Oct-Sep) sesame production is forecast at 415,000 metric tons, up 25,000 metric tons from last year. This anticipated increase is based on the assumption that farmers will plant more sesame next season because of higher local prices. The projection also assumes favorable weather conditions, which are critical since almost all sesame production is rain fed.

MY17/18 production is estimated at 390,000 metric tons, exceeding the previous year's level by slightly more than 70,000 metric tons. The increase in production was primarily attributed to favorable weather conditions, though a slight increase in area harvested, better agronomic practices, and improved inputs were also contributing factors.

Sesame is the most widely produced oilseed crop, accounting for one-third of total oilseed production. Production is concentrated in the northern and northwestern lowlands bordering Sudan and Eritrea. Next to coffee, sesame is the second most important forex-generating crop.

Ethiopia is the world's fourth largest sesame producers behind India, China, and Myanmar.

Consumption:

MY18/19 consumption is projected at 50,000 metric tons, up slightly over the previous year. About five percent of production is consumed locally, the rest is exported. In the future, consumption is expected to increase due to rising agro-processing capacity and increased consumer demand for processed foods such as, edible oil, tahini, halva, and confectionary items.

Trade:

Sesame exports are forecast to reach 360,000 metric tons in MY18/19, surpassing the previous year by a little more than 20,000 metric tons. This increase is primarily attributed to projected production increases and continued strong demand from China.

With China restarting sesame purchases, MY17/18 exports are estimated to climb to 340,000 metric tons, up 48,000 metric tons from last year. Strong Chinese demand coupled with tight international supplies pushed local sesame prices higher. The price of Humera/Gondar sesame – the reference price for international markets – climbing 25 percent on the [Ethiopian Commodities Exchange \(ECX\)](#) to \$1,420 compared to March 2017. See figures 1 and 2 for the ECX export price and monthly-traded volumes. Meanwhile, the government's 15 percent devaluation from last October appears only to have had a minor impact on export competitiveness.

According to [Ethiopian Revenue & Customs Authority \(ERCA\)](#), China alone accounted for a little more than half of Ethiopia's sesame exports in 2017/18, with Israel and UAE – the second and third largest

destinations – accounting for 17 and 7 percent, respectively. Nearly all of Ethiopia’s sesame exports are unprocessed, leaving a potential opportunity for value addition prior to export. This envisioned value addition could take place inside the government’s planned integrated agro-industrial parks.

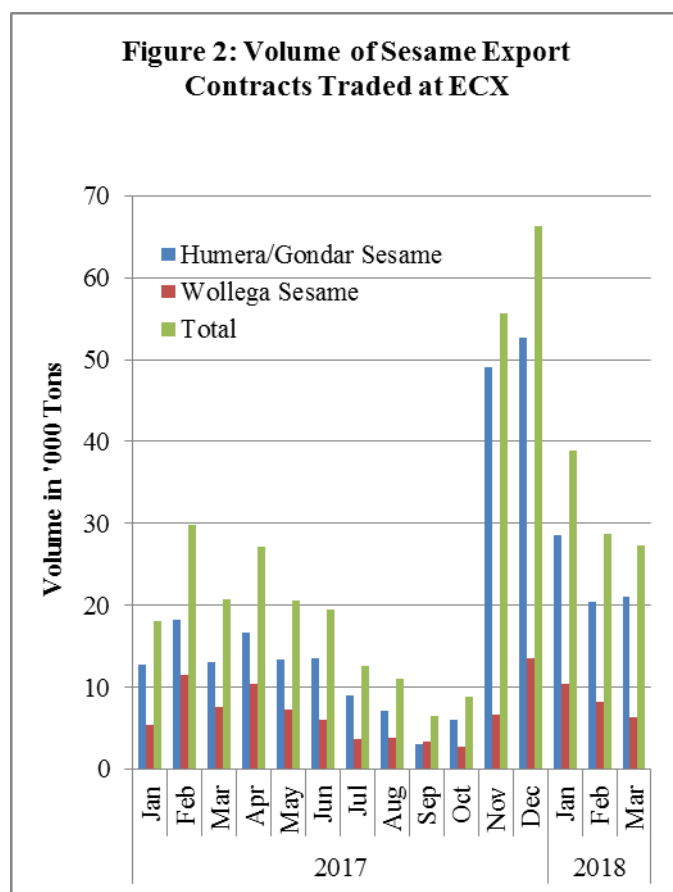
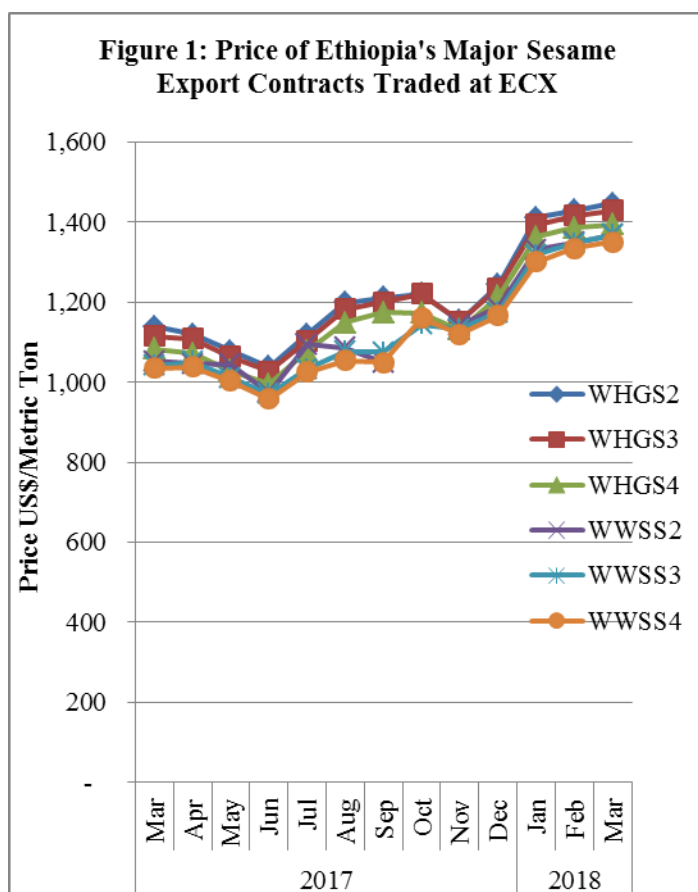
Policy:

The Ministry of Trade is reportedly looking to [reform](#) the existing sesame marketing structure to spur greater export revenues. What is being proposed is to allow sesame producers and traders to do business outside of the mandated Ethiopia Commodities Exchange (ECX). Only commercial farms and cooperative farmers’ unions are currently eligible to export directly to end buyers. The reform, which appears to parallel a recent restructuring of the country’s coffee marketing system, is said to be pending senior government approval.

Post believes the proposed reform alone may not bring the desired outcome unless other binding constraints, such as poor traceability, limited access to finance to modernize current farming practices, and inadequate market data must also be addressed.

Table 2: Annual Trend of Ethiopia’s Sesame Exports (Oct-Sep)							
Crop Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19*
Volume (MT)	224,134	273,401	286,586	414,093	292,088	340,000	360,000
FOB Value ('000 USD)	406,584	617,460	450,019	443,561	316,775	-	-

Source: ERCA and *FAS Addis Ababa Forecast



Source: Own graph, data from ECX. (Price converted to US \$ based on established exchange rate).

Top 10 Destination Markets	Volume (MT)	Value ('000 USD)	Market Share	
			Volume /Value	% Cumulative Share
China	113,663	140,976	45%	45%
Israel	50,075	62,698	20%	64%
Turkey	19,529	24,508	8%	72%
Vietnam	12,797	16,295	5%	77%
UAE	11,634	13,752	5%	82%
Saudi Arabia	9,831	12,455	4%	86%
Singapore	8,132	9,958	3%	89%
Japan	7,296	9,939	3%	92%
Greece	4,009	5,060	2%	93%
Jordan	3,371	4,497	1%	95%
Sub-Total	240,336	300,140	95%	95%
Others	12,656	15,944	5%	100%
Grand Total	252,991	316,083	100%	

Source: Ministry of Trade (MoT). Data covers for nine months (Jul 2017- Mar 2018)

Table 4: Production, Supply, and Demand, PSD (1000 HA, 1000 MT)			
Oilseed, Sesame seed	2016/17	2017/18	2018/19
Market Year Begins	Oct-16	Oct-17	Oct-18
Ethiopia	New Post	New Post	New Post
Area Harvested	590	595	600
Beginning Stocks	45	35	40
Production	320	390	415
MY Imports	0	0	0
MY Imports from US	0	0	0
Total Supply	365	425	455
MY Exports	292	340	360
Crush	0	0	0
Food Use Dom. Cons.	16	19	21
Feed Waste Dom. Cons.	22	26	29
Total Dom. Cons.	38	45	50
Ending Stocks	35	40	45
Total Distribution	365	425	455

Niger Seed

Production:

Production of Niger seed in MY18/19 is forecast unchanged at 300,000 metric tons. This estimate assumes favorable weather conditions, particularly rainfall, and no changes to area harvested.

Over the last several years, Niger seed production has shown steady growth, most of which is attributed to increases in area harvested as farmers respond to the rising price of Niger seed-based cooking oil.

Niger seed, which is also known as noug, is the second most widely-produced oilseed crop in Ethiopia, accounting for a little more than one-third of total oilseed production. Close to one million farmers produce Niger seed and more than 95 percent of production is concentrated in the highlands of Oromia and Amhara regions.

Ethiopia is the largest producer of Niger seed followed by India, Myanmar, and Nepal.

Consumption:

MY18/19 consumption is projected to reach 277,000 metric tons in MY18/19, up roughly 15,000 metric tons from the preceding year due to increased demand for cooking oil. Consumption is expected to keep growing in the coming years as demand for cooking oil and livestock feed continue to grow. The noug cake, which is the by-product from Niger seed oil extraction process, is used for livestock feed, especially in animal fattening and dairy rations.

Trade:

MY18/19 exports are forecast to remain largely unchanged at nearly 30,000 metric tons. Political unrest in certain parts of the country was reported to have disrupted some Niger seed export shipments in MY17/18. As a result, export prices increased about \$200 per metric ton to \$1,360 from January to February of this year. Nonetheless, based on available trade data, year-over-year export volumes are expected to increase.

The top destination for Ethiopian Niger seed is the United States, accounting for nearly three-quarters of all exports in MY17/18. Niger seed exports to the United States must comply with USDA phytosanitary requirements, including annual inspections for sterilization facilities as described in [ET1808](#). The United Kingdom and Germany, the second and third largest export destinations, accounted for 8 and 6 percent of exports, respectively. See tables 5 and 6 for export trends.

Table 5: Trend of Ethiopia's Niger Seed Exports (Oct-Sep)							
Crop Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 *	2018/19 *
Volume (MT)	38,643	28,505	23,985	44,764	29,862	31,000	31,000
FOB Value ('000 USD)	30,995	22,029	23,567	46,067	26,141	-	-

Source: ERCA and *FAS Addis Ababa Forecast

Table 6: Ethiopia's Niger Seed Export Destinations in 2017/18				
Top Destinations	Volume (MT)	Value ('000 USD)	Market Share	
			Volume /Value	% Cumulative Share
United States	13,566	10,283	73%	73%
United Kingdom	1,445	1,151	8%	81%
Germany	1,121	880	6%	87%
India	494	411	3%	90%
Singapore	468	344	3%	93%
Italy	447	373	2%	95%
Sub-Total	17,541	13,441	95%	95%
Others	921	705	5%	100%
Grand Total	18,463	14,146	100%	

Source: Ministry of Trade (MoT). Data covers nine-month period from Jul 2017- Mar 2018.

Table 7: Production, Supply, and Demand, PSD (1000 HA, 1000 MT)			
Oilseed, Niger seed	2016/17	2017/18	2018/19
Market Year Begins	Oct-16	Oct-17	Oct-18
Ethiopia	New Post	New Post	New Post
Area Harvested	281	291	291
Beginning Stocks	38	35	40
Production	277	300	300
MY Imports	0	0	0
MY Imports from US	0	0	0
Total Supply	315	335	340
MY Exports	30	31	31
Crush	196	210	216
Food Use Dom. Cons.	-	-	-
Feed Waste Dom. Cons.	54	58	61
Total Dom. Cons.	250	264	277
Ending Stocks	35	40	32
Total Distribution	315	335	340

Soybeans

Production:

MY18/19 soybean production is estimated at 120,000 metric tons, up 5,000 metric tons in response to growing local demand growing local demand for cooking oil, soy-based foods, and livestock feed. Future production is expected to continue its upward climb to respond to rising consumer demand.

Soybean production has more than tripled from 35,000 metric tons in MY11/12. Most of this growth in production was due to an increase in the area planted, especially from commercial farms which are few in number. About half of total soybean production is said to come from these bigger commercial operations, some of which are rotating or inter-planting soybeans with other crops. Improved yields also contributed to production increases.

Soybeans contribute nearly 10 percent to the country's total oilseed production and account for only 4 percent of area planted to oilseeds. The main soybean-producing areas are in the western part of the country in the Oromia and Benishangul Gumuz, and to a lesser extent the Amhara region.

Consumption:

Soybean consumption in MY18/19 is forecast to reach 43,000 metric tons. Consumption is expected to continue its upward climb as consumers demand more soy-based edible oil and as the poultry sector demands more soybean meal. In addition to oil, soybeans are used to make a variety of local foods as well as corn-soy blend (CSB) for emergency food assistance programs.

Trade:

MY18/19 soybean exports are expected to remain unchanged from the previous year's record of nearly 80,000 metric tons. Exports jumped a little more than 30,000 metric tons in MY17/18 to nearly 80,000 metric tons in large part because of increased demand from India. About 95 percent of exports go to five countries, India, China, Vietnam, Canada, and Pakistan. See Table 9 below for details. Strong international and local demand pushed local prices up during this period.

Table 8: Trend of Ethiopia's Soybean Exports (Oct-Sep)							
Crop Year	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18*	2018/19*
Volume (MT)	33,999	37,130	26,570	74,555	44,797	78,000	78,000
FOB Value ('000 USD)	18,724	20,264	12,194	31,455	18,877	-	-

Source: EPOSPEA Annual Bulletin 2017 and *FAS Addis Ababa Forecast

Table 9: Ethiopia's Soybean Exports in 2017/18				
Top Destinations	Volume (MT)	Value ('000 USD)	Market Share	
			Volume / Value	% Cumulative Share
India	26,576	11,982	45%	45%
Viet Nam	20,284	8,871	34%	79%
China	5,148	2,341	9%	88%
Canada	2,680	1,294	5%	93%
Pakistan	1,386	553	2%	95%
Singapore	1,364	585	2%	97%
Sub-Total	57,438	25,625	97%	97%
Others	1,604	721	3%	100%
Grand Total	59,042	26,346	100%	

Source: ERCA. Data covers eight-month period from Jul 2017 to Feb 2018.

Table 10: Production, Supply, and Demand, PSD (1000 HA, 1000 MT)			
Oilseed, Soybean	2016/17	2017/18	2018/19
Market Year Begins	Oct 2016	Oct 2017	Oct 2018
Ethiopia	New Post	New Post	New Post
Area Harvested	36	42	42
Beginning Stocks	4	6	5
Production	80	115	120
MY Imports	0	0	0
MY Imports from US	0	0	0
Total Supply	84	121	125
MY Exports	45	78	78
Crush	12	14	16
Food Use Dom. Cons.	3	4	5
Feed Waste Dom. Cons.	18	20	22
Total Dom. Cons.	33	38	43
Ending Stocks	6	5	4
Total Distribution	84	121	125

Oils

Production:

Local production of edible oils in calendar year (CY) 2018 is forecast at 28,000 metric tons. Niger, cotton, soybeans, and sunflower are mainly used to locally produce cooking oils. The remainder is made up of rapeseed, linseed and ground nuts. The local production of edible oil has tremendous growth potential and is expected to rapidly expand in the coming years as the population grows and as consumer income rises.

Consumption:

Total vegetable oil consumption in CY18 is projected at 603,000 metric tons, of which 95 percent is imported. Most of the oil consumed is imported palm oil, followed by locally-produced Niger seed oil. Small amounts of sunflower, soybean, linseed, ground nut, and cottonseed oils are also consumed. With increasing demand, limited domestic production and the country's heavy reliance on imported oil, there are frequent supply shortages especially in urban areas. In addition, as some consumers become increasingly diet conscious, they are looking for healthier alternatives to palm oil. Most Ethiopian consumers prefer sunflower, Niger seed, and soybean oils as healthier.

Trade:

Imports of edible oil have been rapidly increasing over the last three years, with an average annual growth rate of a little more than 10 percent. Post expects this upward trajectory to continue with imports reaching 548,000 metric tons in CY18. This estimate does not include the sizeable volumes of informal oil imports from Djibouti and Somalia.

In CY17, Ethiopia imported 522,000 metric tons of cooking oil, valued at nearly \$530 million. Of this imported oil, more than 87 percent by volume was palm oil, most of which comes from Malaysia and Indonesia. The remainder of imported oil is made up of sunflower, soybean and olive oils. The leading supplier of soybean oil is Egypt, while Turkey is the largest supplier of sunflower oil. See tables 11, 12 and 13 below for breakdown of oil imports by value/volume and origin.

Policy:

The government imports palm oil duty free and then caps the local selling price to make it affordable to the majority of the population. Six private companies and three government-affiliated enterprises are authorized to import and distribute palm oil on behalf of the government. Domestic cooking oil producers often criticize the government's practice of subsidizing palm oil since it makes it harder for them to compete in the local marketplace.

Table 11: Annual Edible Oil Import Volume (MT): Jan-Dec

Commodity	2012	2013	2014	2015	2016	2017
Palm Oil	292,797	139,899	373,763	442,536	458,119	453,829
Sunflower Oil	1,453	2,198	2,450	9,704	11,769	42,070
Soy Oil	654	2,001	656	6,746	5,328	3,419
Vegetable Fats & Oils	17,041	13,487	11,316	16,954	25,950	21,289
Olive Oil	174	253	308	758	1,479	461
Sesame Oil	14	5	16	13	5	11
Other Edible Oils	85	194	577	1,877	757	628
Total	312,217	158,038	389,086	478,588	503,407	521,707

Source: ERCA

Table 12: Annual Edible Oil Import Value ('000 USD): Jan-Dec

Commodity	2012	2013	2014	2015	2016	2017
Palm Oil	382,278	145,832	403,198	419,636	440,421	433,191
Sunflower Oil	2,438	4,055	4,309	15,692	17,855	54,165
Soy Oil	1,203	3,109	1,083	8,787	6,238	3,623
Vegetable Fats & Oils	28,453	16,935	18,355	25,220	38,879	37,041
Olive Oil	510	660	1,066	1,840	2,219	1,690
Sesame Oil	30	26	47	71	21	31
Other Edible Oils	196	312	973	2,582	1,056	1,100
Total	415,109	170,929	429,031	473,806	506,689	530,841

Source: ERCA

Table 13: Edible Oil Imports by Country of Origin in 2017 (Jan-Dec)				
Palm Oil				
Exporting Country	Volume (MT)	Value ('000 USD)	Market Share	
			Volume	Value
Malaysia	297,638	280,857	66%	65%
Indonesia	132,260	125,387	29%	29%
UAE	22,672	25,822	5%	6%
Others	1,259	1,125	0%	0%
Total	453,829	433,191	100%	100%
Sunflower Oil				
Turkey	29,415	39,219	70%	72%
Egypt	7,509	8,682	18%	16%
Ukraine	1,689	1,951	4%	4%
Others	3,457	4,313	8%	8%
Total	42,070	54,165	100%	100%
Soy Oil				
Egypt	1,841	2,139	54%	59%
Ukraine	1,501	1,356	44%	37%
Turkey	17	35	0%	1%
Others	59	93	2%	3%
Total	3,418	3,623	100%	100%

Source: ERCA