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Report Highlights:

MY 2019/20 production of sesame seed, Niger seed and soybeans is estimated to increase. Consumption is projected to rise due to expansion of edible oil processing plants and integrated agro-industrial parks. Soybeans are now actively traded on the ECX trading floor. Soybean trade is expected to show a rapid growth driven by strong local demand and from India as an export market. In addition, Niger seed was added to the list of ECX traded commodities and trading will be launched soon. The launching of oilseeds trade through ECX would create enhanced market incentives for oilseeds growers to expand local production, streamline local trading, and increase exports.

Executive Summary:

Ethiopia's oilseed sector plays an important role in generating foreign exchange earnings. The three major oilseed crops (sesame, soybean, and niger seed) contribute to nearly 20% of Ethiopia's total agricultural export earnings, second only to coffee. In MY 2018/19 (Oct-Sep), exports of sesame, Niger seed, and soybeans generated nearly $430 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, Niger seed and soybean is estimated to increase in MY 2019/20 (Oct-Sep) on average by seven percent over last year. Looking ahead, Post expects production of soybeans and Niger seed to 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. Furthermore, there are a couple of new large-scale edible oil manufacturing plants in the pipeline. This expansion in the agro-processing industry is projected to drive up demand for oilseeds. Recently, soybeans and Niger seed were added to the list of agricultural commodities traded on the ECX modern trading platform. This initiative is expected to create better market incentives for producers to increase local productions. Moreover, the modern exchange platform is vital to control illicit trade and improve exports.

Table 1: Estimated Production Volume of Major Oilseeds (metric tons)

Crop/MY	2018/19	2019/20	Volume Change	% Change
Sesame seed	300,000	340,000	40,000	13%
Niger seed	300,000	305,000	5,000	2%
Soybean	190,000	200,000	10,000	5%
Total	**790,000**	**845,000**	**55,000**	**7%**

Source: FAS Addis Ababa Estimates

Sesame Seed

Production:

MY 2019/20 (Oct-Sep) sesame production is projected at 340,000 metric tons, up 40,000 metric tons from previous year. Total area for sesame production remains unchanged at 600,000 hectares. The projected volume is based on better yield levels due to good weather conditions in general. Provision of improved seeds, other inputs and application of better farming system such as row planting and enhanced agronomic practices all contributed to a productive harvest. Also, the estimated volume considers positive yield effects of the Agricultural Commercialization Cluster[1] farming approach implemented recently, where sesame seed is one of the selected strategic crops under this relatively new farming initiative.

Desert locust invasions and ill-timed rains occurred in the country during and after the main harvest collection period. So far, there is no reported damage on sesame seed due to the locust infestations. However, the untimely rain that was also observed in sesame producing areas could have some limited impact on quality of the harvests. The Ministry of Ag is yet to assess the extent of crops damage caused by the pest swarms and untimely rains on the new crop harvests.

Post revised production estimate for MY 2018/19 down to 300,000 metric tons to reflect actual export figures, which declined nearly by 22% from the precoding year's level. In addition, the revised estimate considers adjusted ending stock levels.

Looking forward, sesame seed production in MY 2020/21 could be considerably lower as producer's and traders are witnessing plunge in local price and price control measures are put in effect as of the current marketing year. Unless prices rebound, farmers in major production areas may reduce sesame seed plantings next year and switch to alternative crops such as cotton and sorghum.

Sesame seed is one of the most widely produced oilseed crop, accounting for 30 percent of total oilseed production in the country. Production is mainly concentrated in the northern and northwestern Ethiopia bordering Sudan and Eritrea. According to Ministry of Trade and Industry (MoTI) data, about 44% of the national sesame seed production comes from Amhara region, followed by Tigray (31%), and Oromia (13%). While, Benshangul-Gumuz, SNNP and Gambela regions, respectively account for 9%, 2% and 1% of the total production.

Even though Ethiopia is one of the major global producers and exporters of sesame seed, the country faces increasing challenges related to both supply and demand side constraints. Some of the major supply side constraints are diminishing productivity levels, pests and diseases, and poor access to modern technology. On the demand side, perversely higher domestic price, easy entry of unexperienced

[1] The Agricultural Commercialization Cluster initiative is a market-oriented platform that brings local farmers together to produce the same high value agricultural commodities using the same package selected based on similar agro-ecology, proximity and market demand. Besides sesame seed, nine commodities are being produced under this national scheme including corn, durum wheat, tef, malt barley, and horticultural produces.

traders and market distortion, and contractual non-performance of export sales. Other demand side constraints include international price instability, extremely concentrated export market, and strong competition in the international market. These constraints are posing serious treats to Ethiopia's sesame seed growth potential. Unless farmers, traders and government address these challenges strategically, the country could lose its competiveness in the global sesame seed market in the near future.

Consumption:

MY 2019/20 consumption is projected at 60,000 metric tons, up slightly over the previous year. Current levels of domestic consumptions is small compared to production figures. In the future, consumption is expected to rise due to local and international market demand.

Domestic demand for sesame especially in local food processing industry is projected to grow, as there are integrated agro-industrial parks under-construction that would begin operations in the short-term. Sesame hulling, roasting, and further processing and production of various value-added products is set to expand in these agro-industrial parks.

On the other hand, the rising popularity of sesame seeds as an important ingredient in various cuisines, confectionaries, and applications in the pharmaceutical and medical industry will drive up global demand for sesame seed. This international trend would continue as consumption patterns change due to increasing health consciousness, growing number of vegans, and burgeoning demand for specialty foods such as tahini, hummus, and snack bars etc. Growth of other niche segments that produce sesame-based foods is also expected to increase demand in the coming years.

Trade:

Sesame seed exports are forecast to reach 285,000 metric tons in MY 2019/20, surpassing the previous year by 70,000 metric tons. This increase is due to production increases and sizeable quantity of carry-over stocks.

Ethiopia is one of the key players in the global market for sesame seed and remains a major exporter. However, annual export volume has been falling at CAGR of 8% in the past eight years. Traders allude that international price volatility, currency fluctuations, excessive speculations, illicit trade, squeezed productivity levels, and local market price distortions are the main reasons for the deteriorating export trade performance.

Particularly, the distortion of local market price is evident from the large disparity between FoB export prices and local trading prices at ECX. During MY 2018/19, the weighted average export price of sesame seed (i.e., FoB Djibouti Port) was significantly lower than the ECX local trading price on average by $206. This means that Ethiopian exporters were buying sesame seeds from ECX trading floor at prices higher than the international market. For instance, during September 2019, average export

price was $1,661 per metric ton, whereas ECX trading price was $1,946 per metric ton. This distortion of local market prices happens due to shortage of foreign exchange in the country. It became a common practice among some Ethiopian exporters to sell oilseeds and other agricultural export commodities at a loss to get foreign currency in order to import other products to sell locally at higher profit margins.

In September 2019, average price of Whitish Humera/Gondar sesame seed increased by 27 percent on the ECX trading floor to $2,077 per metric ton compared to $1,630 per metric ton traded in October 2018. The Whitish Humera/Gondar sesame seed contracts serves as reference price for international markets. Similarly, the local trading price for Whitish Wellega type sesame seed at ECX increased by 25%, where prices soared to $1,869 from $1,496 per metric ton during same period. See figures 1, 2 and 3 showing trends of ECX market price, export price and monthly-traded volumes during MY 2018/19.

According to TDM[2] data, Israel has emerged as the top export destination for Ethiopian sesame seed, followed by China and UAE. Israel accounted for about 28% of the total exported volume. While, China and UAE respectively seized a market share of 18% and 13%. Vietnam and Japan – the fourth and fifth largest destinations – accounted for 8% and 7%, respectively. Almost all of Ethiopia's sesame seed exports are unprocessed, leaving a potential opportunity for value addition prior to exports.

China remains the leading market for imported sesame seed globally. China's import demand is estimated around 1.2 million metric tons per annum. This imported volume satisfies about 75% of the total demand for sesame seed in the country. The balance is filled with local productions. Traditionally, China has been the top destination market for Ethiopian sesame seed exports. Nevertheless, this trend seems changing as China is diversifying its import sources and is turning towards other competitive markets in Africa. Ethiopia's export to China has been declining steadily over the last three years. In contrast, Chinese buyers have significantly increased imports from Sudan, Niger, Mozambique, Togo, and Tanzania. This trend is also expected to continue and Ethiopia could be losing its market due to improved production levels and growing competition from other sesame seed producers in the African continent.

Stocks:

MY 2019/20 total ending stocks is estimated at 65,000 metric tons. Of this volume, exporters are expected to maintain 77 % of the ending inventory levels. And, the remainder inventory is anticipated in the hands of producers and suppliers.

Policy:

Recently, the Ministry of Trade and Industry (MoTI) passed a new directive to enhance the declining export performance and to create a healthy and competitive market. This directive went into effect at the end of October 2019. The new directive provides strict control measures on trading prices, product

[2] Trade Data Monitor (TDM) obtains the data from Ethiopian Customs Commission.

quality, and administration of export sales contracts. Registration of export sales contracts is required for all export commodities traded at ECX including sesame seed. In addition, the directive puts a stringent control measure to tackle local market price distortions. Local traders could be penalized if they are caught exporting commodities below domestic price levels and default on their export sales contracts.

Table 2: Annual Trend of Ethiopia's Sesame seed Exports (Oct-Sep)

Marketing Year	Volume (Ton)	FoB Value ('000 USD)	Export Volume Variation	
			Absolute	% Change
2010/11	317,071	230,332	-	-
2011/12	406,741	307,911	89,670	28%
2012/13	238,549	428,820	(168,192)	-41%
2013/14	264,060	608,371	25,511	11%
2014/15	318,195	509,505	54,135	21%
2015/16	414,777	447,753	96,582	30%
2016/17	279,347	307,918	(135,430)	-33%
2017/18	275,021	367,072	(4,326)	-2%
2018/19	215,190	347,252	(59,831)	-22%
2019/20*	285,000	-	-	-
Average	303,217	394,993	(12,735)	-1%

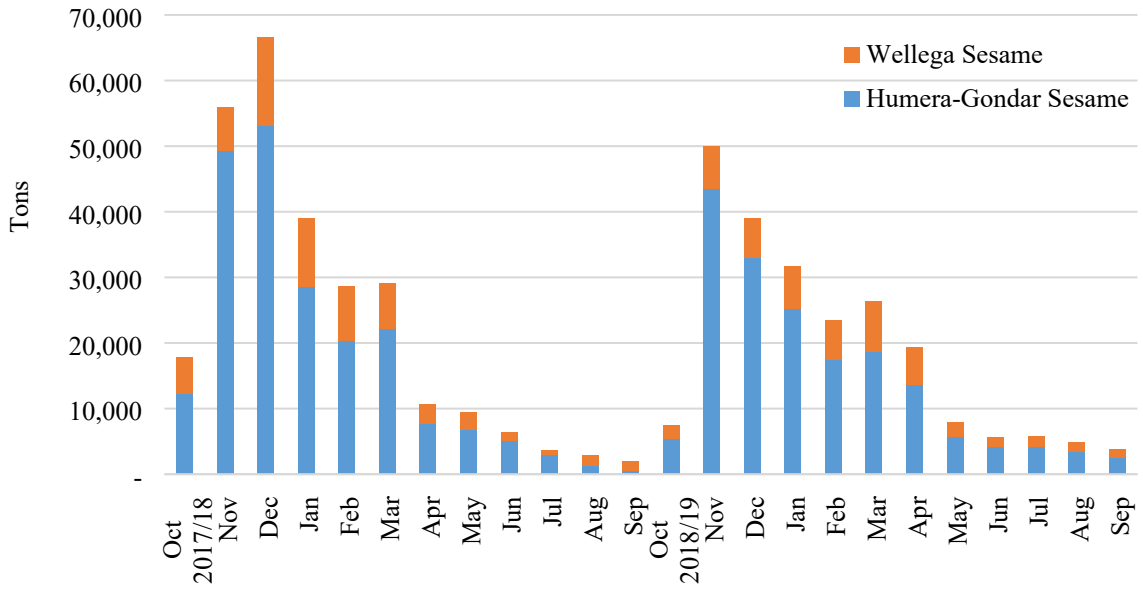
Source: TDM and *FAS Addis Ababa Forecast

Table 3: Ethiopia's Sesame Seed Export Destinations in MY 2018/19 (Oct-Sep)

Partner	Export		Market Share (%)	
	Volume (Ton)	FoB Value ('000 USD)	Volume	Value
Israel	59,589	94,756	27.7%	27.3%
China	38,646	62,133	18.0%	17.9%
UAE	28,287	46,984	13.1%	13.5%
Vietnam	17,572	27,915	8.2%	8.0%
Japan	15,969	26,913	7.4%	7.8%
Singapore	15,120	24,475	7.0%	7.0%
Turkey	10,848	16,775	5.0%	4.8%
Saudi Arabia	7,538	11,727	3.5%	3.4%
Jordan	5,338	8,615	2.5%	2.5%
Yemen	3,796	5,711	1.8%	1.6%
Sub-Total	**202,703**	**326,004**	**94.2%**	**93.9%**
Other	12,487	21,248	5.8%	6.1%
Grand Total	**215,190**	**347,252**	**100.0%**	**100.0%**

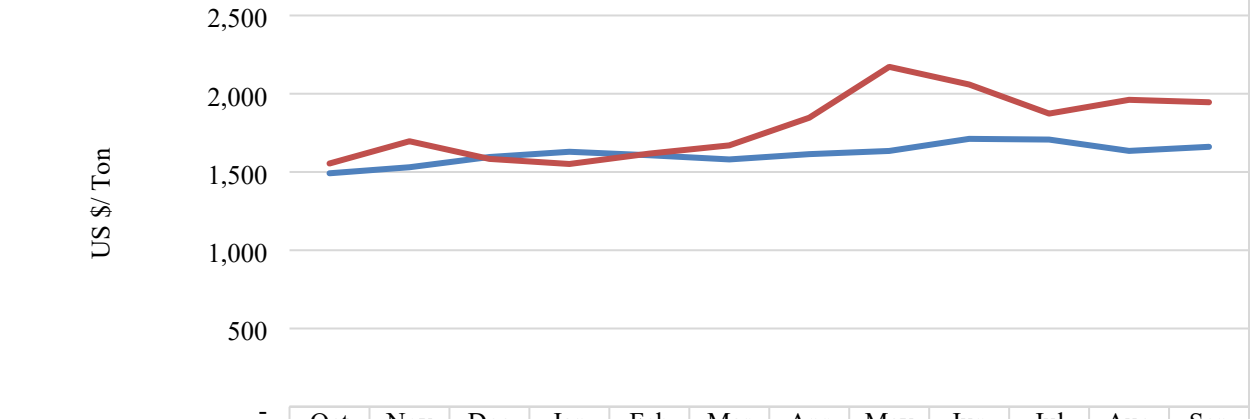
Source: TDM

Figure 1: Trends of Sesame seed Traded Volume at ECX Trading Floor



Source: ECX data

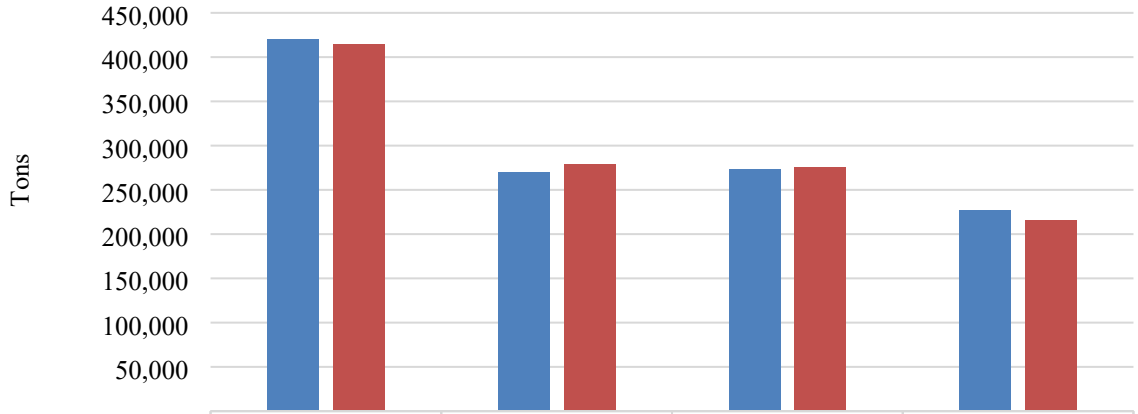
Figure 2: Sesame seed Export Price vs ECX Trading Price: MY 2018/19



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Export Price	1,492	1,530	1,596	1,629	1,607	1,580	1,614	1,634	1,712	1,707	1,635	1,661
ECX Trading Price	1,554	1,696	1,584	1,551	1,618	1,670	1,847	2,172	2,059	1,873	1,961	1,946

Source: ECX. (Price converted to US $ based on prevailing exchange rate).

Figure 3: Actual Export Volume vs ECX Trade Volume: Oct-Sep



	2015/16	2016/17	2017/18	2018/19
ECX Trade Volume	420,030	269,826	273,500	226,527
Export Volume	414,777	279,347	275,021	215,190

Source: ECX data

Table 4: Production, Supply, and Demand, PSD (1000 HA, 1000 MT)			
Oilseed, Sesame seed	**2017/18**	**2018/19**	**2019/20**
Market Year Begins	**Oct-17**	**Oct-18**	**Oct-19**
Ethiopia	**New Post**	**New Post**	**New Post**
Area Harvested	595	600	600
Beginning Stocks	35	40	70
Production	325	300	340
MY Imports	0	0	0
MY Imports from US	0	0	0
Total Supply	**360**	**340**	**410**
MY Exports	275	215	285
Crush	0	4	5
Food Use Dom. Cons.	19	23	25
Feed Waste Dom. Cons.	26	28	30
Total Dom. Cons.	45	55	60
Ending Stocks	40	70	65
Total Distribution	**360**	**340**	**410**

Source: FAS Addis Ababa estimates

Niger Seed

Production:

Production of Niger seed in MY 2019/20 is forecast at 305,000 metric tons, which is slightly up by 5,000 metric tons. This estimate assumes improved yields due to 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. Recently, this important oilseed crop has been added to the list of ECX traded commodities. This is expected to create better market incentives for farmers to expand production of Niger seed in the years to come.

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-fourth of total oilseed production. Close to eight hundred thousand smallholder farmers produce Niger seed and more than 95 percent of production is concentrated in the highlands of Oromia and Amhara regions.

Ethiopia, India, and Myanmar are the largest producers of Niger seed in the world.

Consumption:

MY 2019/20 consumption is projected to reach 287,000 metric tons, up roughly by 13,000 metric tons from the preceding year due to increased domestic 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. Expansion of edible oil processing complexes and launching of integrated agro-industrial parks is anticipated to spur demand for Niger seed. The agro-industrial parks are expected to utilize Niger seeds as a raw material for cooking oil productions and other by-products such as Niger seed cake for animal feed. Currently, there are two privately owned large-scale edible oil complex projects under construction. These edible oil plants are anticipated to go operational in the next couple of years. These mega factories together envisage producing cooking oil that would satisfy about 80% of the total demand in the country. The by-product from Niger seed oil extraction process can be used for livestock feed, especially in animal fattening and dairy rations.

Trade:

MY 2019/20 exports are forecast at 28,000 metric tons, up by 2,000 metric tons over the previous year. Volatile security situations in major growing areas (especially in East and West Wellega Zones) has affected movement of Niger seed trade in the past couple of years. There is increasing competition between local food processors and exporters. The exporters purchase Niger seed from the local market at

prices higher than international market. Whereas, the local processors complain for unreasonably inflated price of the oilseed. Export prices increased about $195 per metric ton to $879 from October to September 2019.

The top destination for Ethiopian Niger seed is the United States[3], accounting for nearly half of all exports in MY 2018/19. Vietnam and China, the second and third largest export destinations, accounted for 10.1% and 9.9% of export volume, respectively. See tables 5 and 6 for trends of Niger seed exports.

In December 2019, Niger seed was added to the list of commodities traded at ECX trading floor. This makes Niger seed the tenth agricultural commodity traded on the modern exchange platform. Trading of Niger seed has not been started yet at the exchange's floor. It is expected to happen in the coming few months. Unlike Sesame seed and Soybeans — where trading is highly regulated and exclusively conducted at ECX— trading of Niger seed at the ECX platform will be carried out on voluntary basis. In other words, traders have an option to buy and sell Niger seed bypassing the ECX marketplace. The launch of Niger seed trading on the ECX modern trading platform will hopefully control illicit trade, encourage local productions and enhance exports.

Table 5: Annual Trend of Ethiopia's Niger seed Exports (Oct-Sep)

Marketing Year	Volume (Ton)	FoB Value ('000 USD)	Export Volume Variation	
			Absolute	% Change
2010/11	18,797	25,413	-	-
2011/12	21,429	27,182	2,632	14%
2012/13	32,428	40,389	10,999	51%
2013/14	22,292	28,106	(10,136)	-31%
2014/15	24,273	24,699	1,981	9%
2015/16	46,480	44,959	22,207	91%
2016/17	32,572	29,237	(13,908)	-30%
2017/18	30,077	22,148	(2,495)	-8%
2018/19	25,596	22,122	(4,481)	-15%
2019/20*	28,000	-	2,404	9%
Average	28,194	26,426	1,023	10%

Source: TDM and *FAS Addis Ababa Forecast

[3] Niger seed exports to the United States must comply with USDA phytosanitary requirements, including annual inspections for sterilization facilities as described in ET1808.

Table 6: Ethiopia's Niger seed Export Destinations in 2018/19 (Oct-Sep)				
Partner	**Export**		**Market Share (%)**	
	Volume (Ton)	**FoB Value ('000 USD)**	**Volume**	**Value**
USA	11,480	8,297	44.9%	37.5%
Vietnam	2,576	2,025	10.1%	9.2%
China	2,525	2,276	9.9%	10.3%
Germany	1,849	1,298	7.2%	5.9%
UAE	1,508	1,759	5.9%	8.0%
UK	855	572	3.3%	2.6%
Yemen	800	1,159	3.1%	5.2%
Jordan	798	1,337	3.1%	6.0%
India	614	418	2.4%	1.9%
Turkey	590	787	2.3%	3.6%
Sub-Total	**23,595**	**19,928**	**92.2%**	**90.1%**
Other	2,001	2,194	7.8%	9.9%
Grand Total	**25,596**	**22,122**	**100.0%**	**100.0%**

Source: TDM

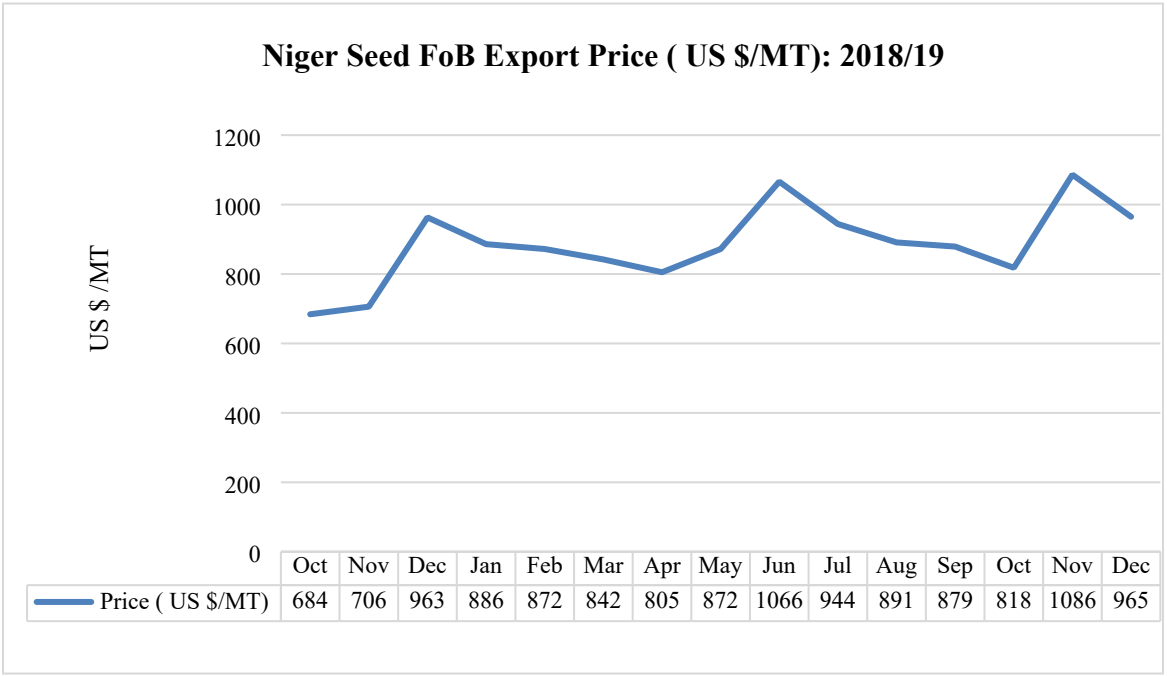


Table 7: Production, Supply, and Demand, PSD (1000 HA, 1000 MT)			
Oilseed, Niger seed	**2017/18**	**2018/19**	**2019/20**
Market Year Begins	**Oct-17**	**Oct-18**	**Oct-19**
Ethiopia	**New Post**	**New Post**	**New Post**
Area Harvested	291	291	291
Beginning Stocks	35	40	40
Production	295	300	305
MY Imports	0	0	0
MY Imports from US	0	0	0
Total Supply	330	340	345
MY Exports	30	26	28
Crush	205	215	225
Food Use Dom. Cons.	-	-	
Feed Waste Dom. Cons.	55	59	62
Total Dom. Cons.	260	274	287
Ending Stocks	40	40	30
Total Distribution	330	340	345

Soybeans

Production:

MY 2019/20 soybean production is estimated at 200,000 metric tons, up 10,000 metric tons in response to growing local demand for cooking oil, soy-based foods, and livestock feed. Industry contacts confirmed that production has expanded in new growing areas, particularly in Amhara region. Future production is expected to continue its upward climb to respond to rising consumer demand.

Soybean production has been rapidly increasing over the last two decades. Most of this growth in production was due to an expansion 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. National research and soybean breeding programs, extension supports, improved local varieties, and better yields also contributed to the production increases.

Soybeans contribute nearly 18 percent to the country's total oilseed production and account for only six percent of area planted to oilseeds. According to CSA, there are close to 150,000 farmers producing soybeans at small-scale level. The main soybean-producing areas are in the western part of the country in the Oromia and Benishangul Gumuz, and Amhara regions.

Consumption:

Soybean consumption in MY 2019/20 is forecast to reach 73,000 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. Expansion of integrated ago-processing industrial parks and launch of new edible oil manufacturing plants in the pipeline will also expand soybean demand. 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:

MY 2019/20 soybean exports are forecasts at 127,000 metric tons, up by 4,000 metric tons from the previous year's export levels. Exports are projected to grow but could face stiff competition from the local food processing industry, which has witnessed a rising demand for soybeans.

India is the largest destination market for Ethiopia's soybean exports, accounting for about 85% of the total exports in MY 2018/19. Spain, UAE, Kenya, and Turkey are also other important destinations, with combined market share of nearly 12% of total exports. During same period, China's import share was 0.9% of the total export trade and bought only one thousand metric tons of Ethiopian origin soybeans valued at $620,000. Chinese import demand for Ethiopian soybeans deeply weakened in MY

2018/19 after a record level of 23,000 metric tons of soybeans was shipped during MY 2017/18, following the US-China tariff retaliatory actions.

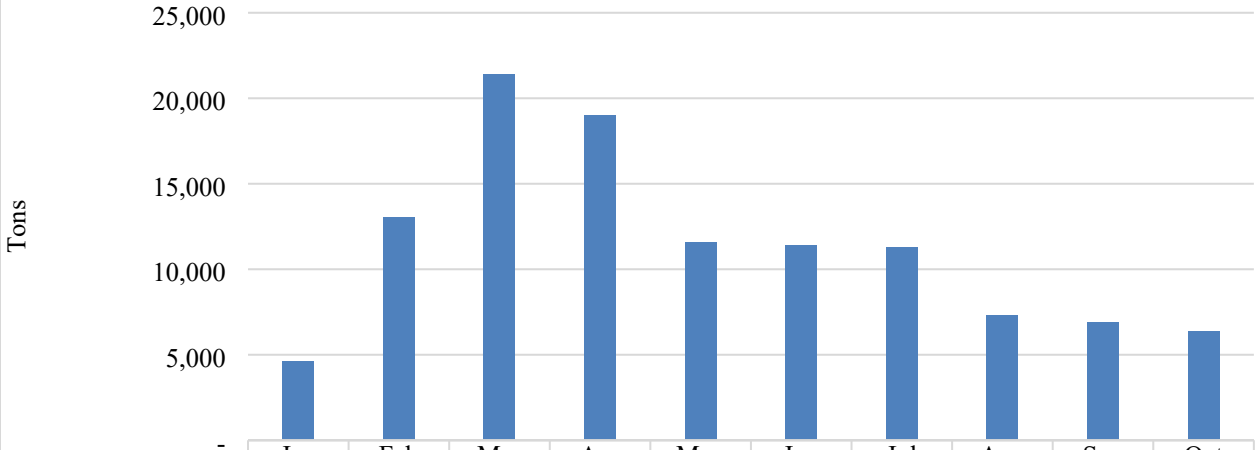
In October 2019, soybeans export prices (FoB Djibouti) averaged $476 per metric ton. Alike other export commodities, local trading prices for soybeans (i.e., around $556 per metric ton) is much higher than international market prices. For instance, average export prices for Argentinian and Brazilian origin soybeans for the month of October 2019 was $353 and $364 per metric ton, respectively (TDM data).

Between May and October 2019, Ethiopian exporters sold soybeans on average 13 % or $63 per metric ton below ECX trading price. This is for the same reason to get access to highly sought-after foreign exchange. Using the forex, the traders import products that can be sold locally at higher profit margins. By doing so, the traders make-up their losses from their export sales.

Local prices are expected to continue upward swing owing to strong demand for the beans in both domestic and overseas markets. See Table 8 and 9 below for details on soybeans export performance.

Regulation of the ministry of Trade and Industry (MoTI) requires all soybean trading to be conducted exclusively through ECX. Trading of soybeans at ECX officially started in January 2019. This regulation is expected to drive up local production, streamline trading, and improve exports of the commodity.

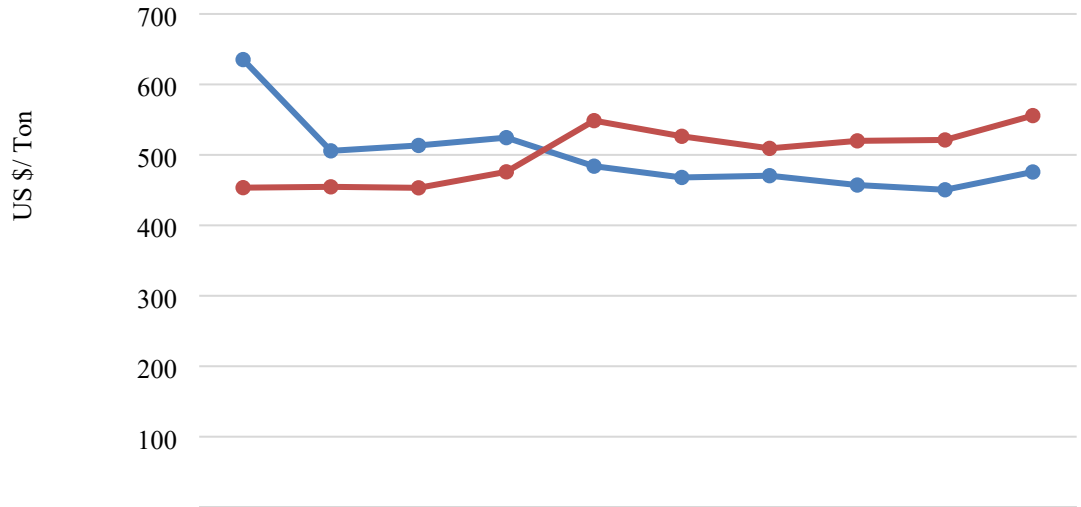
Figure 4: Soybeans Traded at ECX Trading Floor: in 2019



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Trade Volume	4,632	13,050	21,395	19,005	11,596	11,409	11,274	7,317	6,884	6,352

Source: Data from ECX

Figure 5: Soybean FoB Export Price Vs ECX Trading Price: in 2019



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Export Price	635	506	513	524	484	468	470	457	450	476
ECX Trading Price	453	455	453	476	549	526	509	520	521	556

Source: ECX data

Table 8: Annual Trend of Ethiopia's Soybean Exports (Oct-Sep)

Marketing Year	Volume (Ton)	FoB Value ('000 USD)	Export Volume Variation	
			Absolute	% Change
2010/11	1,380	656	-	-
2011/12	2,569	1,570	1,189	86%
2012/13	33,839	18,831	31,270	1217%
2013/14	36,630	20,473	2,791	8%
2014/15	28,517	13,177	-8,113	-22%
2015/16	74,555	31,606	46,038	161%
2016/17	41,234	17,750	-33,321	-45%
2017/18	88,803	41,477	47,569	115%
2018/19	122,642	61,101	33,839	38%
2019/20*				
Average	47,797	22,960	15,158	195%

Source: TDM and *FAS Addis Ababa Forecast

Table 9: Ethiopia's Soybean Export Destinations in 2018/19 (Oct-Sep)				
Partner	**Export**		**Market Share (%)**	
	Volume (Ton)	**FoB Value ('000 USD)**	**Volume**	**Value**
India	103,766	47,934	84.6%	78.5%
Spain	5,280	2,463	4.3%	4.0%
UAE	3,025	2,587	2.5%	4.2%
Kenya	2,245	1,038	1.8%	1.7%
Turkey	2,024	947	1.7%	1.5%
Mexico	1,710	2,754	1.4%	4.5%
China	1,106	619	0.9%	1.0%
France	930	455	0.8%	0.7%
Singapore	902	400	0.7%	0.7%
Israel	874	1,461	0.7%	2.4%
Sub-Total	**121,862**	**60,658**	**99.4%**	**99.3%**
Other	780	443	0.6%	0.7%
Grand Total	**122,642**	**61,101**	**100.0%**	**100.0%**

Source: TDM

Table 10: Production, Supply, and Demand, PSD (1000 HA, 1000 MT)			
Oilseed, Soybean	**2017/18**	**2018/19**	**2019/20**
Market Year Begins	**Oct 2017**	**Oct 2018**	**Oct.2019**
Ethiopia	**New Post**	**New Post**	**New Post**
Area Harvested	42	65	70
Beginning Stocks	8	5	5
Production	135	190	200
MY Imports	0	0	0
MY Imports from US	0	0	0
Total Supply	143	195	205
MY Exports	89	123	127
Crush	17	25	28
Food Use Dom. Cons.	6	7	8
Feed Waste Dom. Cons.	26	35	37
Total Dom. Cons.	49	67	73
Ending Stocks	5	5	5
Total Distribution	143	195	205

Oils

Production:

Local production of edible oils in calendar year (CY) 2020 is forecast at 31,000 metric tons. Niger seed, cottonseed, soybeans, and sunflower seeds are mainly used to locally produce cooking oils. The remainder is made up of rapeseed, linseed and groundnuts. The local production of edible oil has tremendous growth potential and is expected to expand rapidly in the coming years as the population grows and as consumer income rises.

Currently, there are two large-scale edible oil complexes under construction in the country. These privately owned edible oil factories envisage producing mainly sunflower and soybean oils. One of the edible oil plants is erected in Amhara region with an investment capital of around $78 million. This mega edible oil plant has an installed capacity to produce 1,400 metric tons of oils per day. This edible oil factory is anticipated to cover 60% of Ethiopia's cooking oil demand. The other mega factory will have an installed capacity to crush 500 metric tons of oilseeds and to produce 600 metric tons of oils per day. This modern edible oil complex will be built around the outskirt of the capital with an investment outlay of $126 million. When both edible oil factories completely become operational in a couple of years, it is projected that the country would significantly substitute cooking oil imports with local productions. This will induce more production of oilseeds locally (soybeans, sunflower, and Niger seed) and even create some opportunities for imports.

Consumption:

Total edible oil consumption in CY 2020 is projected[4] at 615,000 metric tons, of which 95 percent is imported. Most of the oil consumed is imported palm oil, followed by sunflower oil and locally produced Niger seed oil. Small amounts of soybean, linseed, groundnut, 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. There is an increasing preference towards alternative edible oils containing saturated oils and fats. Most Ethiopian consumers prefer sunflower, Niger seed, and soybean oils as healthier. Due to these changes in consumer preferences, consumption of sunflower oil has almost tripled over the last couple of years and that of palm oil has dropped considerably.

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

[4] Projection is based on ITC Trade Map Mirror data from 2014-2018.

reaching 584,000 metric tons in CY 2020. This estimate does not include the sizeable volumes of cooking oils informally smuggled from neighboring countries such as Djibouti and Somalia. By end of 2019, the GOE for the first time ever bought sizeable amount of refined sunflower oil from international market through a competitive tender. In addition to palm oil supply, the sunflower oil is distributed at subsidized price aimed stabilizing the local market. This gradual shift from imports of palm oil to sunflower oil is due to the ever-increasing public awareness on negative effects of palm oil consumption on human health.

In CY18, Ethiopia imported cooking oils valued at nearly $550 million. Of this imported oil, about 88 percent by value 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 suppliers of soybean oil are Ukraine and Egypt and Turkey and Egypt are the largest supplier of sunflower oil to the Ethiopian market. See tables 12, 13 and 14 below for breakdown of oil imports by value, volume and origin.

Policy:

The GOE subsidizes edible oil imports and caps the local selling price to make it affordable to the majority of the population. Currently, six private companies and three government-affiliated enterprises import and distribute palm oil in the country. The GOE is also looking to increase the number of edible oil importers to expand supply and ease price hikes in the local market. Besides, the GOE has recently permitted foreign companies to import and supply edible oils, sugar, and wheat aimed at curbing the rising food price inflations in the country. Selection of the foreign companies will be based on competitive bidding and selected companies will use existing public distribution channels to sell the food products on wholesale prices.

The GOE has drafted a bill to increase excise taxes on a number of food and non-food import items. Among the food items, the GOE proposed an increase in excise tax on imported vegetable or animal sourced fats and oils (reported under HS Code 1501-1515, 1516, and 1517) containing saturated fats above the specified threshold level. The draft bill levies an average 40% increase in excise tax on imported oils and fats containing saturated fats amount of 40 grams or more per 100 grams of edible oils and fats. (See proposed tax rate details on Table 11).

The elevated amount of excise tax on these vegetable fats and oils is imposed subsequent to public noises and increasing concerns on human health, particularly the sustained effect of consumption of palm oil with high level of saturated fats.

Table 11: Newly Proposed Excise Tax on Edible Oils and Fats		
HS Code	**Description of Items**	**Excise Tax Rate**
1501 up to 1515	Edible vegetable or animal sourced oils and fats and their by-products containing saturated fat amount of 40 grams or more per 100 grams servings. The tax rate is also applicable to these imported products without labels on contents of saturated fat.	30%
1516	Edible vegetable or animal sourced oils and fats and their by-products containing saturated fat amount of 40 grams or more per 100 grams servings. The tax rate is also applicable to imported products without labels on contents of saturated fat or if it contains 0.5 grams or higher amount of fat that is bad for human health or if it contains hydrogen partially or completely.	40%
1517	Margarine containing saturated fat amount of 40 grams or above per 100 grams servings. Or the product containing 0.5 grams or higher amount of fat that is bad for human health.	50%
	Average	**40%**

Source: Draft Excise Tax Bill

Table 12: Annual Edible Oil Import Volume (Ton): Jan-Dec							
Commodity	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Palm Oil [5]	156,843	363,743	378,244	357,727	358,751	76,502	27,806
Sunflower Oil	1,153	1,848	5,439	10,319	37,950	56,175	158,822
Soybean Oil	1,026	231	2,684	3,420	2,923	3,686	3,442
Olive Oil	43	238	218	2,269	374	366	446
Other Edible Oils	5	29	317	76	125	40	85
Total	**159,070**	**366,089**	**386,902**	**373,811**	**400,123**	**136,769**	**190,601**

Source: TDM

[5] Palm oil import data for CY 2018 and 2019 is way below quantities reported in ITC Trade Map. The TDM data does not seem to follow import trends for the past five years. Post believes there is an error in the data, which is sourced from Ethiopian Customs.

Table 13: Annual Edible Oil Import Value ('000 USD): Jan-Dec							
Commodity	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Palm Oil	358,369	407,037	423,633	432,594	456,499	478,781	240,730
Sunflower Oil	4,057	4,409	15,693	18,024	52,781	62,161	52,536
Soybean Oil	5,332	2,276	10,634	7,702	5,077	4,234	3,003
Olive Oil	858	1,386	1,880	3,289	1,868	1,115	1,319
Other Edible Oils	665	918	101	135	355	248	306
Total	**369,281**	**416,026**	**451,941**	**461,744**	**516,580**	**546,539**	**297,894**

Source: TDM

Table 14: Ethiopia's Major Edible Oil Imports: Market Share by Partners (2015- 2018)			
		Market Share (Average 2015-2018)	
Edible Oils	**Trading Partner**	**Volume**	**Value**
Palm	Malaysia	48.9%	51.6%
	Indonesia	44.4%	41.7%
	UAE	5.8%	5.9%
	Others	0.95%	0.80%
	Total	**100.0%**	**100.0%**
Sunflower	Turkey	76.2%	69.0%
	Egypt	6.5%	14.1%
	Ukraine	5.5%	5.1%
	Others	11.8%	11.9%
	Total	**100.0%**	**100.0%**
Soybean	Ukraine	42.6%	-
	Egypt	41.1%	-
	USA[6]	7.3%	-
	Others	9.0%	-
	Total	**100.0%**	**-**
	Egypt	-	44.0%
	Ukraine	-	32.6%
	Netherlands	-	13.5%
	Others	-	9.9%
	Total	**-**	**100.0%**

Source: TDM

[6] The United States exported 1,000 metric tons of soybean oil valued at $1.2 million in 2016 for food assistance purposes.

Attachments:

No Attachments.