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Ethiopia

Grain and Feed Annual

Annual Report

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Report Highlights:
Ethiopia is an agrarian economy with a mainly rain fed agricultural system. The major grain crops grown in the country are *teff* (a gluten-free small grain), wheat, corn, barley, sorghum, and millet. Cereals are predominantly produced by small landholders and are consumed as food, and the by-products are fed to livestock. Due to good rainfall in 2012, production of all grains in Marketing Year (MY) 2012/13 was better compared to the previous year's production. In MY 2013/14, wheat production is forecast to be slightly higher than in 2012/13 due to improvements in seed supply. Wheat imports were made only through the government owned enterprise "Ethiopia Grain Trade Enterprise (EGTE)" and through food aid. No other grains were traded.

Executive Summary:

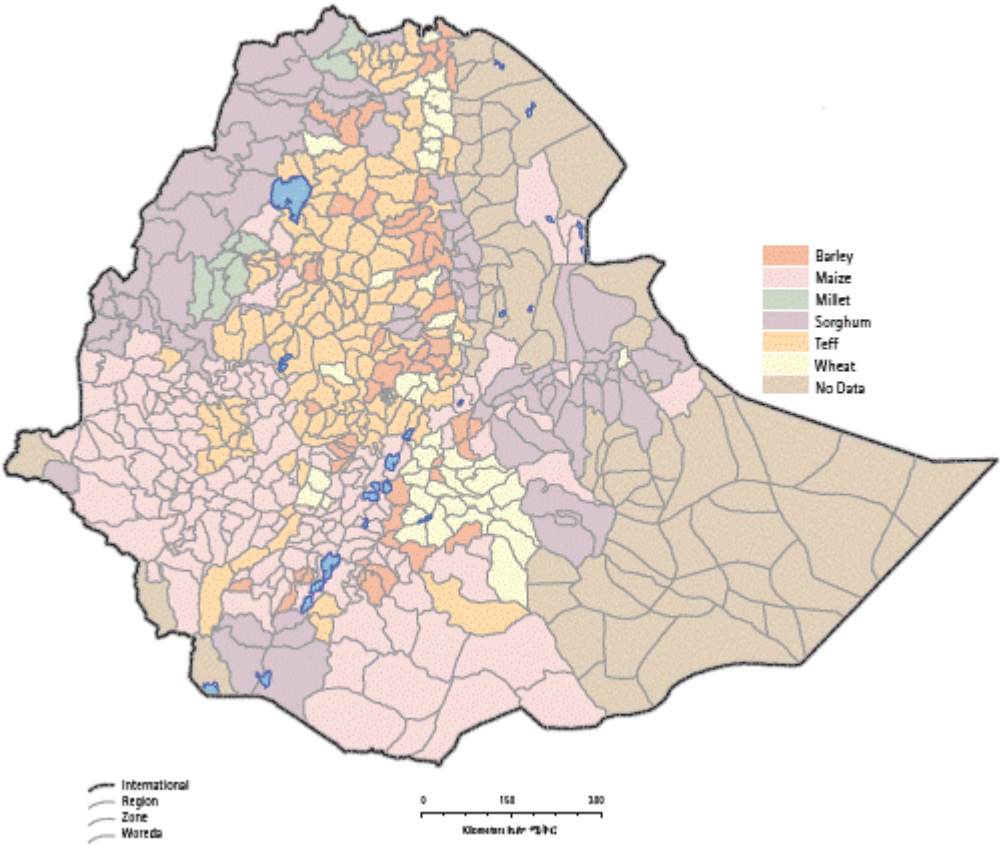
Overall Production of Grains: Ethiopia is an agrarian economy with a mainly rain fed agricultural system. The performance of the agriculture sector is highly dependent on the timely onset, duration, distribution, and amount of rainfall. This makes the sector vulnerable to drought and other natural calamities. Although the country is one of the largest grain producing nations in Africa, there are still large pockets of food insecurity in various regions.

The major grain crops grown in the country are *teff*, wheat, corn, barley (categorized as primarily cool weather crops) and corn, sorghum, and millet (categorized as warm weather grain crops). All of these crops are predominantly rainfed crops grown all over the country except in some parts of the lowlands. In the main grain producing areas, the northern and central parts of the country, there are two rainy seasons. The long *meher* rains normally start in June and extend to September; these rains support 92-95 percent of the annual grain production. The smaller *belg* rains, which usually starts middle of February and ends in the middle of May, support 5-8 percent of annual grain production.

In Ethiopia, increasing crop production is crucial for attaining food security and providing inputs for the industrial sector. Grain production constitutes the major share of agricultural production and contributes significantly to the national domestic product. Around 98 percent of cereals are produced by small landholder farmers. Only two percent are produced by commercial farms mainly for seed purposes. The average land holding is less than one hectare. The fragmented nature of land holdings and low use of agricultural inputs contributes to low levels of grain productivity in the country. The country also doesn't produce its own fertilizer supply, and farmers use a generic fertilizer blend applied regardless of soil type. There is only one importer of fertilizer in the country, the state owned Agricultural Input Supply Enterprise (AISE).

The Government of Ethiopia (GOE) places emphasis on improving the living standards of poor farmers through an intensive agricultural extension program and by promoting modern agricultural technologies. The GOE´s ambitious five-year Growth and Transformation Plan (GTP), which started in 2010, aims to double grain production by 2015. However, due to high population density and high soil degradation problems in the highlands, there is little chance of reaching this target. The government is encouraging local and foreign investors to exploit large uncultivated land in pastoralist and semi-pastoralist areas of the country. Nearly all commercial farms, most of which have been in operation less than three years, produce crops primarily for industrial purposes and for export e.g. soybeans, rice, and cotton etc.

Map showing the dominant cereal crop growing area in Ethiopia



Source: International Food Police Research Institute (IFPRI)

Overall Consumption of Grains: Over 50% of average daily caloric intake of an average household is from wheat, sorghum, and corn. Cereal production accounts for roughly 60% of rural employment and 80% of total cultivated land. Households spend an average of 40% of their total food budget on cereals. According to the World Food Program, 46% of the Ethiopian population is malnourished, underscoring the importance of increasing domestic grain production. Farmers hold about 10 percent of the grain production for planting (included in the consumption category in the production, supply, and demand (PSD) tables). Ethiopia has a large livestock population, but the commercial feed industry is at an infant stage, mostly located around Addis Ababa and slightly to the south. The lack of animal feed is by far the biggest constraint to the development of the livestock sector in Ethiopia. There are about 20 feed mills in the country, but most of them produce primarily for on-farm consumption.

Area and production of Common Cereals in Ethiopia in MY 2012/13

October 2012-September 2013

Crop	Area (1000 hectares)	Production (1000MT)
Corn	2150	5500
Teff	3760	3769
Sorghum	1780	3570
Wheat	1510	3200
Barley	1015	1620
Millet	440	680
Total	10,655	18,339

Source: FAS Addis Ababa

Overall Grain Trade: The Port of Djibouti is the main entry port for both commercial and food aid grains imported into Ethiopia. The port is about 950 km from Addis Ababa, taking about two days to reach Addis Ababa by truck. All commercial grains are imported by the Ethiopian Grain Trade Enterprise (EGTE). It is a state-owned enterprise handling not only grain imports but also coffee and oil crop exports to the Middle East, China, and Europe. In 2008, the GOE started controlling foreign exchange, creating limited opportunities for private traders to access foreign currency to import grain into the country. This situation has made EGTE the only grain importer in the country.

Overall Grain Trade Policy: Imports of grains are not officially banned but traders and millers don't have access to foreign exchange required to purchase internationally and cannot compete with the government subsidized wheat distribution system. Tariffs on grains are low (5 percent) combined with a 15 percent VAT tax. Exports of grains are officially prohibited, except occasionally for corn which the GOE allows to be exported to neighboring countries when there is sufficient local production.

COMMODITIES

Wheat

Production

Ethiopia is the second largest wheat producing country in Africa behind South Africa. Wheat is mainly grown in the central and south eastern highlands during the main (*Meher*) rainy season (June to September) and harvested in October-November. Arsi, Bale, and parts of Shoa are considered the wheat growing belt. Bread wheat is the major variety of wheat grown in Ethiopia. However, farmers grow durum and bread wheat (mixed together) in some parts of the country. Wheat is produced on large state-owned farms covering around 124,000 ha of land in the Arsi and Bale regions. The GOE is in the process of privatizing those farms. The remaining ninety two percent (1,390,000 ha) of production is from small farms.

Rainfall distribution and amount in the 2012 *meher-rainy* season (end of June up to end of September) was good in most parts of the wheat growing areas. The temperature was warm and not humid which hampered the development of wheat stem rust. The wheat rust epidemic observed in 2010/11 in some parts of the country was not observed in the 2012/13 production year. Researchers from USDA, USAID, Cornell University, the Gates Foundation, and the International Center for Agricultural Research in Dry Areas (ICARDA) conducted intensive research and developed several rust resistant wheat seed varieties. Despite all of the above efforts, Ethiopia still does not have sufficient seed multiplication facilities, and therefore farmers still use low quality seeds.

USAID Ethiopia has a program designed to expand seed distribution and to encourage Ethiopian farmers to adopt new seed varieties. This program may help to expand seed distribution and to improve seed varieties in the future; however, at present, less than 8 percent of farmers use improved seed in the wheat growing belt. The Oromia and Amhara regions produce 59% and 28% of the country's wheat, respectively, with an additional 10% coming from the Southern Nations, Nationalities, and Peoples Region (SNNPR) and 3% from other regions. Post estimates the total area of wheat production to be 1,510,000 ha of land, 4-5% less than the government estimate, and estimates wheat production to be 3,200,000 MT.

Consumption

The wheat consumption trend in Ethiopia is gradually increasing in urban areas due to high population growth (about 2.6 percent a year), migration of people to urban areas, and changes in life styles. In most parts of the country, families prefer to use *teff* to make *injera* (fermented thin bread) and sometimes to make porridge. *Teff* can also be used to produce local beer and liquor. *Teff* straw is an important source of animal fodder and has been shown to be a more nutritious animal feed than other grain by-products. Because of the price escalation of *teff* compared to wheat and of the ease of preparation of wheat, most middle and lower class populations are shifting to greater wheat consumption.

In calendar year 2012, there were around 210 large flour mills in Ethiopia with a total of 3.7 million tons of milling capacity of flour per year. The flour mills are able to obtain the required wheat from the Ethiopia Grain Trade Enterprise (EGTE), which controls all commercial wheat imports and makes wheat available to flour mills at a government subsidized rate. These wheat imports account for roughly thirty-three percent of the wheat market. The flour mills get the remainder of the wheat supply from the local market. In this fiscal year, the wheat price in the local market is about thirty percent higher than EGTE wheat prices and the quality is much better than imported wheat. The Ethiopian Commodity Exchange reported that farm households consume about 60% of wheat produced;

20% is sold; and the remainder is used for seed, in-kind payments for labor, and animal feed.

In marketing year 2011/12, EGTE imported 750,000 MT of wheat mainly from Russia and Argentina and around 300,000 MT through food aid mainly from the United States.

Trade

Commercial imports of wheat have risen in the last couple of years, which is an indication of the government's efforts to stabilize wheat prices following a significant increase in domestic food prices. In 2008/9, the GOE started importing wheat through EGTE which increased the domestic supply of wheat at a subsidized price and lowered the domestic market price. For importers, wheat importing is no longer a profitable business due to highly subsidized wheat imports through EGTE, price increases in the international market, and limitations on obtaining foreign exchange. This situation will probably continue into the foreseeable future.

EGTE supplies wheat to the consumer from May through October before the harvest starts. Wheat from EGTE is sold to flour mills, consumer associations, and organized government and privately employed staffs. Food aid wheat is approximately twenty percent of the total wheat imported into the country and is mainly from the US.

Wholesale Prices of Cereals in Addis Ababa for CY 2012

(USD/MT)

Commodities / **Month**	Teff	Wheat	Barley	Sorghum	Corn
January	567	348	370	400	249
February	547	396	410	445	283
March	604	387	408	448	273
April	636	420	421	444	276
May	652	407	421	463	270
June	648	406	428	483	294
July	671	541	450	539	380
August	780	534	445	558	375
September	812	535	520	570	378
October	812	524	507	589	378
November	818	514	613	584	371
Dec ember	766	491	502	603	357

Source: Ethiopian Grain Trade Enterprise (EGTE)

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Source: Ethiopian Grain Trade Enterprise (EGTE)

Wheat imports by country of Origin in 2011/12.

(1000 MT)

Marketing year begins in October		
Country of Origin	**MY 2010/2011**	**MY2011/12**
Russian Federation	335	388
United States	207	261
Italy	89	-
Oman	45	-
Pakistan	33	-

Argentina	-	212
Belgium	-	42
Brazil	24	120
Turkey	14	-
China	-	25
Others	49	2
Total	**796**	**1050**

Source: Total wheat imports from Ethiopia Revenue and Custom Authority

Ethiopian Wheat imports-Commercial vs. Food Aid
(1000 MT)

Import	2010/11	2011/12	2012/13 *est.*
GOE commercial import	76	750	650
Food assistance	720	300	550
Total wheat import	796	1050	1100

Stocks

Ethiopia Emergency Food Security Reserve Administration (EFSRA) is mandated to keep emergency grain stocks for the country. The amount of the emergency grain stocks fluctuate between 55 – 60 percent of the total grain stock. EGTE holds the remaining 10 percent of the total stocks, and private store houses and mills hold between 30-35 percent.

Policy

The Ministry of Trade (MOT) controls the supply chain of imported wheat in urban areas through EGTE. Only 30 percent of the total 210 major flour mills in the country are getting subsidized wheat for their mills, and the price of this subsidized flour is capped by the MOT. Mills located outside of the capital prefer to buy from the local market due to lower transportation costs and to the fact that the price of flour made by those mills is not capped.

Production, Supply and Demand Data Statistics:

Wheat Ethiopia	2011/2012		2012/2013		2013/2014		
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	1,500	1,490	1,500	1,510		1,512	(1000 HA)
Beginning Stocks	311	311	328	305		298	(1000 MT)
Production	3,147	3,147	3,100	3,200		3,242	(1000 MT)
MY Imports	1,200	1,314	600	1,030		1,020	(1000 MT)

TY Imports	1,550	1,570	500	1,100		800	(1000 MT)
TY Imp. from U.S.	242	160	0	0		0	(1000 MT)
Total Supply	4,658	4,772	4,028	4,535		4,560	(1000 MT)
MY Exports	0	0	0	0		0	(1000 MT)
TY Exports	0	0	0	0		0	(1000 MT)
Feed and Residual	230	250	245	250		260	(1000 MT)
FSI Consumption	4,100	4,217	3,500	3,987		4,000	(1000 MT)
Total Consumption	4,330	4,467	3,745	4,237		4,260	(1000 MT)
Ending Stocks	328	305	283	298		300	(1000 MT)
Total Distribution	4,658	4,772	4,028	4,535		4,560	(1000 MT)
Yield	2.	2.1121	2.	2.1192		2.1442	(MT/HA)
TS=TD		0		0		0	

COMMODITIES

Corn

Production

Corn is Ethiopia's largest cereal crop in terms of total production, area planted, and number of farm holdings. Corn accounts for 22 percent of the total area covered by cereal and around 30 percent of the total cereal production. In addition to the highest total production per annum and the highest per hectare yield. Corn is also the single most important crop in terms of number of farmers engaged in cultivation. During this reporting period, more than eight million small landholder farmers were involved in corn production.

The lion's share of corn production comes from three regions: the Oromia region (61%), Amhara (20%) and SNNPR (12%). Subsistence and small landholder farmers produce 95 percent of total corn production and commercial farms produce only around 5 percent.

Corn productivity levels on commercial farms reach only 4 tons/ha, showing that there is still room for increasing productivity of small landholder farmers (about 2.5 tons/ha) when improved seed and fertilizer are used.

Consumption

Corn use survey data from the Central Statistics Authority (CSA) shows that out of the total national production of corn, 80% was used for household consumption, 10% for sale, while the balance was used for seed, wages in kind, and animal feed. Because of lower prices compared to other grains, the per capita consumption of corn in the rural area is estimated to be 45 kg/year and 16 kg/year in urban areas. Most of the flour mills in the rural areas mix corn with wheat to lower the price of flour. This helps bakeries to lower the price of bread and to gain a better profit.

Mainly farmers and day laborers in the cities eat corn on the cob. This helps consumers in the lower income bracket to cover their daily food requirements during the pre-harvest months of the year when grain stocks at the household level is minimum (starting June to the middle of September). In MY 2011/12, the consumption of corn for food increased due to an increased trend in wheat prices. Using corn for feed, especially for poultry, is gradually increasing in the country. Farmers also use corn stalks for fuel, cattle feed, and construction material for houses in rural areas.

Trade

In 2008, Ethiopia banned corn exports, but allows exports when the government determines that there is sufficient production in the country. However, some informal trade between neighboring countries occurs depending on the corn production situation and rainfall patterns of neighboring countries. For the last three years, there have not been any commercial corn imports into the country.

Production, Supply and Demand Data Statistics:

Corn Ethiopia	2011/2012		2012/2013		2013/2014		
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	2,152	2,152	2,100	2,150		2,150	(1000 HA)
Beginning Stocks	451	451	491	482		462	(1000 MT)
Production	5,400	5,400	5,400	5,500		5,588	(1000 MT)
MY Imports	0	0	0	0		0	(1000 MT)
TY Imports	0	0	0	0		0	(1000 MT)
TY Imp. from U.S.	0	0	0	0		0	(1000 MT)
Total Supply	5,851	5,851	5,891	5,982		6,050	(1000 MT)
MY Exports	10	0	0	0		0	(1000 MT)

TY Exports	10	0	0	0		0	(1000 MT)
Feed and Residual	450	469	500	470		485	(1000 MT)
FSI Consumption	4,900	4,900	4,900	5,050		5,060	(1000 MT)
Total Consumption	5,350	5,369	5,400	5,520		5,545	(1000 MT)
Ending Stocks	491	482	491	462		505	(1000 MT)
Total Distribution	5,851	5,851	5,891	5,982		6,050	(1000 MT)
Yield	3.	2.5093	3.	2.5581		2.5991	(MT/HA)
TS=TD		0		0		0	

COMMODITIES
Sorghum

Production

Sorghum is the fourth largest cereals crop in Ethiopia and is produced in most parts of the country. It is noted for its versatility and diversity and is produced over a wide range of agro-ecological zones.

Sorghum is tolerant relative to other major cereal crops. It is primarily a crop of resource-poor, small-scale farmers and is typically produced under adverse conditions such as low input use and marginal lands. Limited use of inputs and strigia weed (grass type of weed) is the major constraint in the production of sorghum in Ethiopia. Farmers prefer to plant indigenous sorghum varieties rather than improved varieties because indigenous varieties produce larger volumes of biomass for animal fodder, fuel, and construction material.

Areas of greater concentration of sorghum production include much of the northwestern and eastern parts of Ethiopia. In 2011/12, the rainfall distribution was good and also resulted in good yields. In 2012/13, due to the late start of the *Belg* rainy season, the performance of the crop was negatively affected in lower parts of the country. The late rains did not decrease the amount of production but negatively impacted grain quality.

Consumption

The main use of sorghum in Ethiopia is for making traditional bread, *injera,* for human consumption. It is also used for local bear production in some parts of the country. It accounts for an average of ten percent of daily caloric intake of households living in the eastern and northwest areas of the country. Lower quality sorghum grain is also used for animal feed. Sorghum stalks is an important product and is used as fire wood, fodder, and construction material for rural houses. Sorghum consumption is increasing in middle and lower class communities due to mixing of sorghum with *teff* to make *injera* due to the higher price of *teff*.

Trade

Northwestern parts of the country produce about 28 percent of the total production. The distance from the central market in Addis Ababa is more than 750 km which encourages farmers to engage in informal exports of sorghum to Sudan rather than to bring sorghum to Addis Ababa. This trade depends on the production situation in Sudan and other neighboring countries. The same type of export trade is also observed in eastern parts of the country neighboring Somalia.

Production, Supply and Demand Data Statistics:

Sorghum Ethiopia	2011/2012 Market Year Begin: Oct 2011		2012/2013 Market Year Begin: Oct 2012		2013/2014 Market Year Begin: Oct 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	1,869	1,869	1,800	1,780		1,800	(1000 HA)
Beginning Stocks	272	272	308	263		112	(1000 MT)
Production	3,781	3,781	3,700	3,600		3,750	(1000 MT)
MY Imports	30	30	50	46		40	(1000 MT)
TY Imports	30	12	50	30		30	(1000 MT)
TY Imp. from U.S.	0	0	0	0		0	(1000 MT)
Total Supply	4,083	4,083	4,058	3,909		3,902	(1000 MT)
MY Exports	75	80	75	77		67	(1000 MT)
TY Exports	75	80	75	0		0	(1000 MT)
Feed and Residual	200	215	200	200		205	(1000 MT)
FSI Consumption	3,500	3,525	3,500	3,520		3,530	(1000 MT)
Total Consumption	3,700	3,740	3,700	3,720		3,735	(1000 MT)
Ending Stocks	308	263	283	112		100	(1000 MT)
Total Distribution	4,083	4,083	4,058	3,909		3,902	(1000 MT)
Yield	2.	2.023	2.	2.0225		2.0833	(MT/HA)
TS=TD		0		0		0	

COMMODITIES

Barley

Production

Barley is the fifth most important cereal crop after *teff*, wheat, corn, and sorghum. It is the staple food grain especially for Ethiopian highlanders who produce the crop with indigenous technologies. It performs well in the northern and central highlands of the country. The productivity of barley in the country has been stagnant for a long time due to high soil degradation and low farm input supplies such as fertilizer and improved seed.

Consumption

Barley also substitutes for wheat when wheat prices are high. For millennia, barley has been supplying the basic necessities of life (food, feed, beverages and roof thatch) for many in the Ethiopian highlands. However, the ever-increasing human and livestock populations are placing increasing pressure on the land normally used for barley production. Because of its wide range of uses, barley is considered the"*king of grains"* in much of the country.

Malt barley is the major raw material (about 90% of the total raw material cost) for beer production. Malt barley grain is mainly produced in the south eastern parts of Ethiopia in Arsi and Bale administrative zones. The total estimated demand for malt barley in 2012/13 is around 72,000 tons of which 35 percent can be supplied from local barley farms. The remaining amount of malt barley is imported from Belgium and France. The interesting aspect of malt barley production in Ethiopia is that the crop can have dual purposes: it can be used for food (bread and several traditional dishes) and also for malting.

Established in 1984, Asella Malt Factory (AMF), a state-owned facility, is the only malt processing factory in the country and supplies malt to four local breweries. In 2012, a private company started construction of a new malt factory in the northern part of the country, and it should be operational within two years. There are also two more breweries under construction which should increase demand for malt barley in the near future.

Stocks

Small landholder farmers and local traders control most barley stocks, but AMF holds some malt barley stocks that it sells before the new harvest.

Production, Supply and Demand Data Statistics:

Barley Ethiopia	2011/2012 Market Year Begin: Oct 2011		2012/2013 Market Year Begin: Oct 2012		2013/2014 Market Year Begin: Oct 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	1,013	1,013	1,020	1,015		1,020	(1000 HA)
Beginning Stocks	120	120	177	118		148	(1000 MT)
Production	1,592	1,592	1,580	1,620		1,632	(1000 MT)
MY Imports	0	0	0	13		10	(1000 MT)
TY Imports	0	0	0	0		0	(1000 MT)
TY Imp. from U.S.	0	0	0	0		0	(1000 MT)
Total Supply	1,712	1,712	1,757	1,751		1,790	(1000 MT)
MY Exports	0	0	0	0		0	(1000 MT)
TY Exports	0	0	0	0		0	(1000 MT)
Feed and Residual	135	135	132	140		140	(1000 MT)

FSI Consumption	1,400	1,459	1,300	1,463		1,470	(1000 MT)
Total Consumption	1,535	1,594	1,432	1,603		1,610	(1000 MT)
Ending Stocks	177	118	325	148		180	(1000 MT)
Total Distribution	1,712	1,712	1,757	1,751		1,790	(1000 MT)
Yield	2.	1.5716	2.	1.5961		1.6	(MT/HA)
TS=TD		0		0		0	

COMMODITIES

Millet

Production

Millet is the sixth important crop after *teff*, wheat, corn, sorghum, and barley. It comprises about five percent of the total land devoted to cereals. Millet nowadays is not a preferred grain in the farming community due to low market prices compared to other grains, but plays an important role in marginal areas where the soils are degraded and in areas where moisture stress is frequent. Millet is resistant to drought and to pest infestation both in the field and in storage. Despite these qualities, millet is a completely neglected crop by researchers and agricultural institutions in Ethiopia. Its productivity is quite low because of the minimum use of farm inputs and due to farmers producing millet on marginal lands. Its productivity is mainly dependent upon the amount and distribution of rainfall. The production of millet in 2012/13 is relatively good due to satisfactory rainfall patterns in the millet growing region of the country.

Consumption

In low-income households, families substitute millet for *teff* in making local bread (*injera)* due to the high price of *teff* compared to millet. Over the past two years as the price of *teff* increased, millet consumption increased proportionately. Millet can also be used to make local beer (*tela*) in rural areas of the country. Due to its relatively low price as compared to other grains, about 10 percent of millet production is used for animal feed.

Trade

There is no formal export and import of millet in Ethiopia. There is small informal trade around the borders depending on production and rainfall.

Production, Supply and Demand Data Statistics:

Millet Ethiopia	2011/2012		2012/2013		2013/2014		
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	436	436	420	440		440	(1000 HA)

Beginning Stocks	34	34	21	30		23	(1000 MT)
Production	662	656	650	673		680	(1000 MT)
MY Imports	0	0	0	0		0	(1000 MT)
TY Imports	0	0	0	0		0	(1000 MT)
TY Imp. from U.S.	0	0	0	0		0	(1000 MT)
Total Supply	696	690	671	703		703	(1000 MT)
MY Exports	0	0	0	0		0	(1000 MT)
TY Exports	0	0	0	0		0	(1000 MT)
Feed and Residual	25	19	25	30		30	(1000 MT)
FSI Consumption	650	641	625	650		653	(1000 MT)
Total Consumption	675	660	650	680		683	(1000 MT)
Ending Stocks	21	30	21	23		20	(1000 MT)
Total Distribution	696	690	671	703		703	(1000 MT)
Yield	2.	1.5046	2.	1.5295		1.5455	(MT/HA)
TS=TD		0		0		0	