

HortiMagazine

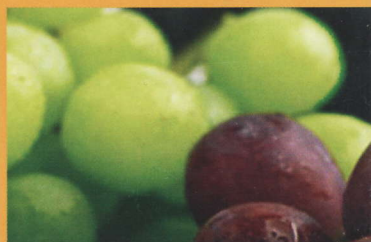
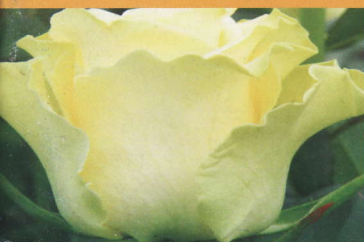
March 2011

The business magazine for Ethiopian and Dutch horticulture



Ethio-Dutch

Partnership still going strong



From newcomer to recognised supplier

Already a top 5 EU flower supplier, Ethiopia steps up its market drive

**By Milco Rikken, ProVerde
(www.proverde.nl)**

Seven years ago, Ethiopian flower exports were virtually non-existent. Today, the country ranks among the European Union's top five fresh-cut flower suppliers and floriculture has become one of the nation's main foreign exchange earners. Economic woes in 2009 and the effects of the ash cloud in 2010 caused a minor shakeout, but about a hundred growers have emerged from these storms stronger and more eager than ever to consolidate and expand on their export position by stepping up their market drive, improving efficiency and diversifying product ranges.

As far as the flower industry is concerned, the worst of the economic recession seems to be over. Though prices may not climb back to pre-crisis levels, the 2009 slump seems to be a thing of the past, with EU imports steadily rising. Trade figures on the whole suggest the global flower market is bouncing back and the mood in the market is one of cautious optimism.

Catching up on Kenya

In Ethiopia, the hard times floored some companies, but also produced a seasoned export sector whose impressive growth since 2005 can no longer be passed off as a fluke. Ethiopia now holds a firm position among the top five EU suppliers – along with Kenya, Ecuador, Colombia and Israel – and an impressive second place among Dutch auction suppliers. The share of Ethiopian flowers in EU imports doubled from 6 percent in 2005 to 12 percent in 2010.

Statistics suggest Ethiopia is steadily catching up on Kenya. Kenyan flower exports, like those of Ethiopia, grew robustly over the last decade, however, Kenyan growers appear to have suffered more from the crisis. In 2009, Kenyan exports were down 7 percent compared to the preceding year, while Ethiopia exported 34 percent more to the EU. What's more, preliminary figures suggest similar developments in 2010.

Lean, mean and market-driven

The Ethiopian growers who survived 2009 and 2010 are well aware that long-term success will not come easy. With support from various national and international institutes, these growers are bracing themselves for rigorous self-improvement programmes. Their key growth opportunities, they recognise, lie in becoming leaner and meaner and relentlessly market-driven. This means adopting continuous improvement programmes on the farms to osts and raise the quality of every last detail. It also means developing streamline business processes, cut product ranges according to market

preferences, as well as getting online and connecting with the ongoing virtualisation of the flower trade.

Satisfying consumer wishes

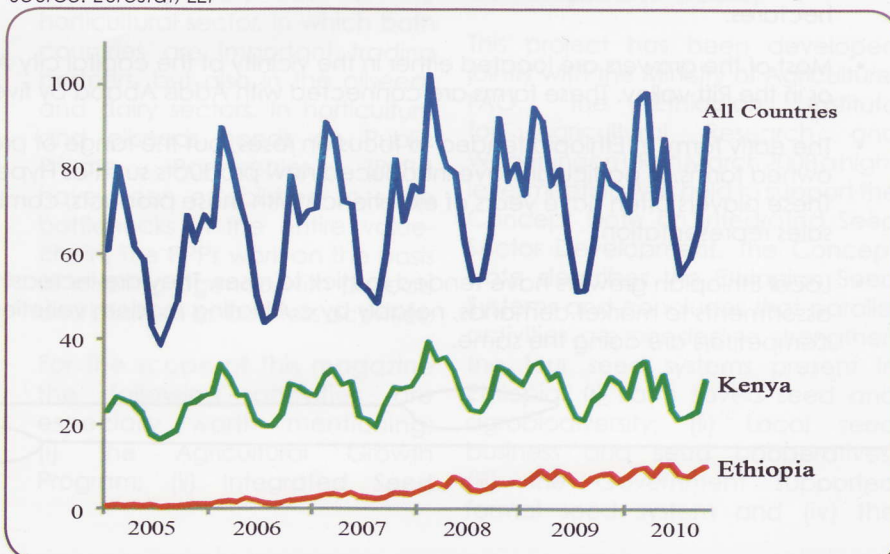
Efforts to shorten the supply chain by developing direct trade deals have met with mixed results. A positive spin-off effect of this experience has been that Ethiopian exporters have come to understand that they're producing flowers not just to fill freight planes, but to satisfy the wishes of downstream players and end consumers in Europe.

A so-called 'Master Class Flower Export' organised by the Ethiopian Horticulture Producers Exporters Association (EHPEA) and the Dutch Centre for the Promotion of Imports from Developing Countries (CBI), co-funded by the Dutch government, recently helped to augment this key insight.

Eastern Europe a growth market

Europe is the main destination for Ethiopian flowers. Most are exported to the Netherlands (often via Belgium, see text box), from where they find

Figure 1: Is Ethiopia catching up with Kenya?
EU imports from outside the EU in millions of euro per month
Source: Eurostat, LEI



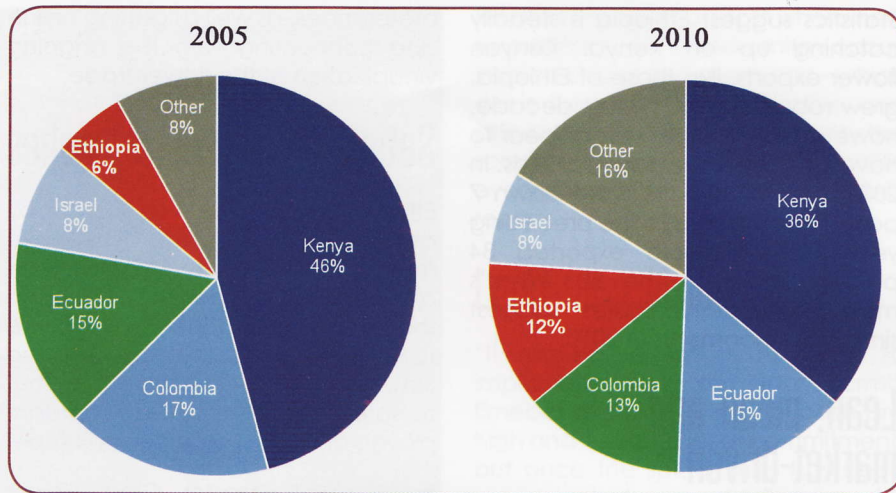


Figure 2: Ethiopia's share in EU imports is growing Share in value in January-October
Source: Eurostat, ProVerde

their way to consumers all over Europe. Germany is still the EU's leading end market. Before the crisis, the UK was catching up fast, but demand there has levelled off. Exports to Eastern European countries, on the other hand, are rising again. In 2010, Dutch

exports to this region increased by over 10 percent, more than twice the average growth percentage.

Dutch wholesale exports in general dropped in 2009, but returned to pre-crisis levels in 2010, despite fairly

severe climatic challenges, including prolonged winter conditions early in the year, a heat wave in July and a dramatically cold December.

The time ahead

The worst of the economic recession may be over for Ethiopia's flower export sector, but so are its years of unbridled expansion. In the time ahead, a serious player on the European market needs to be sensitive to market developments and able to keep developing creative export marketing strategies. If the achievements to date are anything to go by, Ethiopia may be a flourishing flower export nation for many years to come.

Facts, figures & species

- Ethiopia has an estimated one hundred fresh flower exporters, up from just a handful in 2000. Roughly a third of these growers are non-Ethiopians – Holland, India and Israel are well-represented. The other farms are either fully Ethiopian-owned or joint ventures with foreign partners.
- The average surface per farm is currently around 10 hectares; there is potential to reach an average of 20 hectares.
- Most of the growers are located either in the vicinity of the capital city Addis Ababa and its international airport or in the Rift valley. These farms are connected with Addis Ababa by five routes leading to and from the city.
- The early farms in Ethiopia tended to focus on roses, but the range of products is increasingly diversifying. Dutch-owned farms, in particular, have introduced new products such as Hypericum, Eryngium, Lilium, and Freesia. These players often have years of experience with these products, combined with effective networks and strong sales representation.
- Local Ethiopian growers have tended to stick to roses. They are increasingly successful at adapting their rose assortments to market demands, notably by cultivating modern varieties often with larger buds. Many Kenyan competitors are doing the same.