Overview of Presentation

• Business Governance in Ethiopia

• Macro-Risk Analysis

• Opportunities in the Textile Industry

• Opportunities in the Food Processing Industry
Machine Suppliers’ Perspective

• A window on your clients’ and prospective clients’ experiences in Ethiopia.

• Deeper understanding of doing business in the Ethiopian context.

• Opportunity trends in machinery supply to Ethiopia-based companies.
Agathon International is a research and analysis company focused on selected emerging and frontier markets.
• We hosted 15 VDMA member companies on a market exploration mission to Ethiopia in 2014, focused on the textile industry.

• We regularly produce market insight reports for European companies on a range of primary industries in Ethiopia.

• We also cover the rest of East Africa, Eastern Europe and Central Asia.
Business Governance in Ethiopia

Government Developmentalist Philosophy

• Ethiopia is a highly centralised and tightly planned development state.

• The economy is guided by the government’s Growth and Transformation Plan.

• Development is the overriding goal.
Business Governance in Ethiopia

Government Influence on the Private Sector

• Bureaucratic red tape a considerable hurdle.

• Preponderance of State-owned Enterprises, including in the importation sector.

• Textile manufacturing and Agro-industry regarded favourably.
Business Governance in Ethiopia

Central Planning and Control

• Sometimes misalignment between government and private sector expectations.

• Vertical Integration and “Value Adding”.

• Client needs may not be intuitive.
Business Governance in Ethiopia

The Positive: Infrastructure Investment

• Renewable Energy: Current capacity 2,200 MW. Plans for over 17,000 MW, including the 6,000 MW Grand Renaissance Dam within five years.

• Road and Railways: Addis Ababa – Djibouti railway opened last month. Massive road and rail investment country-wide.

• Industrial Parks: Still developing. One to watch.
Macro-Risk Analysis

Political Stability

• Compared to its neighbours, Ethiopia remains stable and secure

• Very low penetration of Al Shabaab or other extremist groups. No major attacks in recent years.

• Incidence of violent crime in Addis Ababa is low
Macro-Risk Analysis

Civil Strife

• Political and business power in Ethiopia is disproportionately held by the northern Tigrayan ethnic group.

• Recent protests are symptomatic of surfacing tensions between the government and the Oromo and Amhara ethnic groups.

• Many grievances centre on the appropriation of land, but access to political power and economic marginalisation are important factors too.
Macro-Risk Analysis

Effects on the Textile and Agricultural Industries

• Turkish Saigin Dima textile plant attacked. One third of factory burned down.

• The factory of Africa Juice, a Danish fruit juice company, was completely destroyed.

• Protests are about granting of land to foreign factory owners, not “villagization”.
Macro-Risk Analysis

Attractive Fundamentals Remain:

- Large supply of affordable labour
- Proximity to Europe
- Infrastructure advances
- Growing domestic market

Civil unrest may be easing. Greater political inclusivity is required, and a recent Cabinet shakeup is a positive sign.
Opportunities in the Textile Industry

• Textile Manufacturing is a high priority of the Growth and Transformation Plan II.

• Exports currently stand at only 70% of the plan target (of $60.07 million). However, the target was highly ambitious.

• The industry will continue to enjoy prioritisation and incentivisation from the government.
Opportunities in the Textile Industry

Challenges

• Lack of raw materials

• Power interruptions

• Foreign exchange and investment capital

• Labour productivity and management inefficiency
Opportunities in the Textile Industry

Major Textile Firms Operating in Ethiopia

• Ayka Addis Textile and Investment Group
• Saygin Dima Textiles
• Adama Spinning Factory
• MAA Garment and Textiles Factory
• DH Geda
• Akber
• Bahir Dar Textile Mills
• Else Addis Industrial Development
• Almeda Textile Factory
• ShriVallabh Pittie
Opportunities in the Food Industry

• Ethiopian economy 80% agricultural, but currently very low-tech. Food processing accounted for 39% of gross value of production (GVP) in large and medium size manufacturing in 2009/10.

• Development of agro-industry a key component of the Growth and Transformation Plan II.

• Emphasis on added value through food processing. “Agro-industry parks” a recent push. 1st International Agro-Industry Investment Forum last month.
Opportunities in the Food Industry

Challenges

• Rainfall dependence
• Variable quality and quantities of produce
• Difficulties adapting to the Ethiopian terrain
• Haphazard logistics and export hurdles
Opportunities in the Food Industry

Major Agro-Industry and Food Processing Players in Ethiopia:

• Horizon Plantations (Midroc group)
• Ethio Agri-CEFT (Midroc group)
• Karuturi Global
• Afriflora
• Castel Wineries
• Allana Group
• Africa Juice
• Select Hulling
• NAS Foods
• Holland Farm
Questions?