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Ethiopia's Demand for Chicken Meat is Expected to Grow

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Report Highlights:
Ethiopia’s annual chicken meat production is currently about 50,000 metric tons, with yearly imports of about 1,000 metric tons. The country’s chicken industry, which is still in its infancy, holds considerable potential for growth, especially when considering that average per capita poultry consumption of 0.5 kg is among the lowest in the world. By comparison, per capita consumption in Sub-Saharan Africa is 2.3 kg.

Production:

Chicken Meat Production Expected to Grow in Response to Consumer Demand

Post forecasts that chicken meat production in 2017 will climb slightly from the previous year to 53,000 metric tons. Of this amount, only 3,000 metric tons or 6 percent is considered commercial broiler production. Going forward, the amount of commercial broiler and backyard chicken production are both expected to increase to meet growing consumer demand for inexpensive animal protein. Table 1 summarizes the annual historical and current projections for chicken meat production.

Most Chicken Production Done on Backyard Farms Using Indigenous Breeds

Ethiopia's chicken meat production is almost entirely considered as informal backyard production, with only a small portion consisting of commercial broiler operations. There are an estimated 350 commercial chicken farms in the country, many of which are located in a 100 kilometer-long corridor that runs south of Addis Ababa. The farms are purposefully located in that corridor to have closer access to feed, veterinary meds, other inputs and market outlets in Addis Ababa. Most of these farms are very small with capacity ranging from 50 to 1,000 birds, while just 35 farms are considered medium (1,000-10,000 birds) or large-scale operations (> 10,000 birds) by Ethiopian standards.

The three biggest broiler meat producers – El Fora, Alema Farms, and Genesis Farms – are vertically-integrated operations, with flock sizes each ranging between 40,000-60,000 chickens, most of which are high-yielding exotic varieties from Europe and South Africa. Most of the meat from these and other smaller commercial operations is sold at retail outlets as frozen, dressed whole birds.[1] In contrast, smaller backyard operations slaughter on farm by hand or sell their birds to intermediaries who slaughter and supply the whole dressed bird to the local market.

According to Ethiopia's Central Statistics Agency's Ag Sample Survey for 2015/16, the country's chicken population was made up of chicks, laying hens, pullets, cocks, cockerels, and non-laying hens. Nearly 95 percent consisted of indigenous breeds with the remaining portion comprised of imported exotic types (2 percent) and hybrid varieties (3 percent). The survey also revealed that the most of chicken meat is consumed on farm, with just one-fourth of production, or about 12,000 metric tons, going into the local market. Refer to table 2.

[1] The average slaughter age for exotic chicken breeds is between 40-45 days, whereas indigenous breeds are usually slaughtered between 8 to 12 months. Average slaughter weights, for both indigenous and exotic breeds, is about 1.3 kilograms and dresses out at 1.0 kilograms.

Government Aims to Triple Chicken Production by 2020…

According to the government's Livestock Master Plan (LMP), which is the blueprint for transforming the country's livestock sector, the government intends triple chicken production from current levels to 164,000 metric tons by 2020.[2] Moreover, as outlined in the LMP, to achieve this envisioned expansion, there will need to be a shift in production towards more commercially-oriented operations and investment in this sub-sector of more than $100 million.

…But the Local Chicken Industry Must First Overcome Several Major Constraints

However, in light of the existing capacity constraints (listed below) and the enormous financial resources required to increase production within this time period, Post believes it highly unlikely that Ethiopia will hit this target within the desired timeframe. In the meantime, the recent launch of the National Poultry Training Center is expected to help the fledgling industry address some of these challenges.[3]

- Because of poor biosecurity, there is a high incidence of poultry diseases, such as Newcastle and Gumboro, which have resulted in high rates of flock mortality (50-60%).
- While the feed industry is slowly ramping up production, there are insufficient supplies of affordable and suitable poultry feed, which results in a sub-optimal feed conversion ratio.[4] Feed accounts for about 70 percent of total production costs.
- There is an inadequate number of processing and cold storage facilities, combined with weak market linkages.
- Cumbersome import requirements make it difficult to bring in parent and grandparent stock.
- Consumer demand has traditionally been relatively small and largely cyclical in nature.

[2] The LMP projects egg production to increase 9-times current production levels to 3.8 billion eggs.
[3] The training center aims at graduating 16,000 trainees annually and offers courses such as hatchery management, poultry equipment management, poultry feeding, as well as health management. The center also intends to provide 3.2 million chickens (both layers and broilers) to small and medium poultry farms within the coming five years.
[4] Though feed conversion rate depends on the breed type and farm management, on average it stands at 0.6-1 kg.

Table 1: Ethiopia's Chicken Meat Production Volume (Commercial & Backyard)

Year	Production Volume (MT) [1/]		Year-on-Year Growth: FAS Estimate	
	FAO Estimate	FAS Estimates	Absolute	%
2012	60,480	44,000	-	-
2013	61,840	46,000	2,000	5%
2014	61,336	48,000	2,000	4%
2015	N/A	49,000	1,000	2%
2016	N/A	51,000	2,000	4%
2017	N/A	53,000	2,000	4%

Source: FAO & FAS Addis Ababa
1/ FAO numbers are taken from the Ethiopian Government's Central Statistics Agency. Post estimates are based on our survey of the local industry.

Table 2: Estimated Number of Poultry by Type and Breed in 2015/16

Poultry Type	Total Poultry		Breed Type					
			Indigenous		Exotic		Hybrid	
	Number	%	Number	%	Number	%	Number	%
Chicks	24,941,049	41%	24,038,628	42%	291,104	19%	611,317	32%
Laying Hens	19,498,726	32%	18,007,343	32%	767,819	51%	723,564	37%
Pullets	5,932,298	10%	5,458,940	10%	211,121	14%	262,237	14%
Cocks	5,426,302	9%	5,066,268	9%	167,859	11%	192,175	10%
Cockerels	3,173,736	5%	3,043,859	5%	22,212	1%	107,665	6%
Non-Laying Hens	1,533,216	3%	1,457,560	3%	33,135	2%	42,521	2%
Total	**60,505,327**	**100%**	**57,072,598**	**100%**	**1,493,250**	**100%**	**1,939,479**	**100%**

Source: CSA Ag Sample Survey Report 2015/16

Consumption:

Chicken Consumption Minimal, but Huge Potential for Growth

For 2017, post forecasts Ethiopia's chicken meat consumption to reach 50,000 metric tons, up from 47,000 metric tons in 2016. With annual per capita consumption of about 0.5 kilograms, which is among the lowest in the world, Post expects demand for chicken meat to increase in the future as the economy grows, consumer preferences change, and as the urbanization trend continues. In comparison, the OECD estimated per capita poultry consumption in Sub Saharan Africa at 2.3 kilograms in 2015, which is more than four-times consumption levels in Ethiopia.

Consumption Patterns Shaped by Religious Practices and Cultural Tastes

Most Ethiopians prefer eating red meat when it is available. Chicken is consumed less and has traditionally been reserved for cultural and religious occasions. However, this trend is gradually changing where consumers are starting to eat chicken at other times during the year. For religious and cultural reasons, most chickens are still slaughtered by hand and are consumed at home. Again, this custom is expected to change, especially in larger city centers where it is impractical to slaughter chickens at home.

The majority of consumers prefer chicken meat from indigenous chickens, which generally have tougher meat because they are raised longer.[5] This tougher meat is primarily used to make the traditional spicy chicken stew, referred to as *Doro Wat,* which is served during holidays and special occasions. Owing to the long preparation of the stew, the meat is soft and tender after it is finished cooking. In contrast, meat from exotic chickens does not perform as well since it is usually softer since the chickens are not raised as long.

Consumption of poultry meat and other livestock products is highly seasonal because of the Orthodox Christians (43% of total population) religious observance of fasting from livestock products for more than 250 days out of the year. As a result of this custom, the demand for chicken (and other livestock products) tends to surge during major non-fasting holidays and special occasions throughout the year. This cyclical demand has been one among several challenges confronting the commercial broiler industry. Over time, however, these cyclical variations are expected to smooth out in part because there are more than 50 million other consumers of other religious backgrounds and faiths who also consume chicken meat during these fasting periods.

[5] A local bird weighing 1.25 kg live weight and an exotic bird weighing 1.5 kg command the same price in local markets. Local hens produce only 40 – 60 eggs (average 38 grams) per year but exotic breeds imported from abroad can potentially produce up to 240 eggs per annum (average 60 grams weight). This premium for local bird is due to better flavor of meat and deeply colored egg yolks.

Restaurant and Retail Chicken Sales Expected to Take Off

The retail and HRI sectors are mostly using domestic chicken meat and, to a lesser extent, imported chicken. While there are a couple local chicken sandwich chains, international fast food companies, like KFC and McDonalds, are not yet in the country.[6] There has been some speculation in the press during the last several years about KFC's intention to open in Ethiopia. Looking ahead, Post expects more chicken-serving restaurants to open and greater retail freezer space for chicken as consumer demand increases.

Trade:

Imported Chicken Meat Reaches Store Shelves for the First Time

In 2017, chicken meat imports are expected to remain relatively unchanged at 160 metric tons, up from just 154 metric tons the previous year. Imports represent less than 0.5 percent of total production. Poultry meat exports are nil. See table 3 for historical and current trade figures.

The importation of broiler meat, most of which is coming from Brazil (Qualiko brand) and Ukraine (Sadia brand), is a relatively new phenomenon and for the first time this year the product is available in the major retail grocery outlets. Aside from supermarkets, the primary buyers of imported chicken meat are Ethiopian Airlines and international hotels, like the Hilton and Sheraton. These companies prefer imported chicken, for the time being, since it is offers safety, quality, reliability, and affordability. Aside from severe shortage of foreign currency and cold chain constraints, there are no as such significant barriers to imports.

Government Dreams about Eventually Exporting Chicken

The LMP projects exportable surpluses of chicken meat by 2020. However, from Post's perspective, local demand is expected to far outstrip supply, making exports impractical, not to mention the fact that it would be very difficult for Ethiopia to compete with major exporters, such as the United States and Brazil, on price and quality.

High Chicken Prices Need to Come Down to Spur More Demand

Chicken prices are seasonal and generally rise during holidays, such as Easter, New Year, and Christmas. At present, the price of a live bird, weighing between 1.5-1.8 kilograms, fetches around $9-10 USD. By comparison, the retail price for a whole frozen chicken is between $4-5 USD per kilogram.

[6] Pizza Hut, however, is expected to open its first outlet before the end of the year.

This price difference is due to consumers' traditional preference for buying live birds and hand-slaughtering them at home.

Meanwhile, the current retail price of imported chicken meat ranges between $6-7 USD per kilogram. The price of imported chicken is in part higher because of high import duties. In particular, the customs duty is 30 percent, while there is a value added tax of 15 percent, a surtax of 10 percent and a withholding tax of 3 percent. Despite its higher price, some middle and higher-income consumers, as well as the expat community, are opting for imported chicken meat due because of its convenience (e.g. boneless skinless cuts) and packaging.

Local and imported chicken prices remain very high and out of reach of most Ethiopian consumers. Prices will, therefore, have to come down to make chicken available to more consumers, most of whom are only earning on average around $600 per year. Prices are expected to come down as the local industry increases in production capacity, but this is going to take time. A quicker solution would be to lower import duties so that retailers and traders could sell the chicken at a reasonable price point that would not discourage domestic production.

Table 3: Annual Trend of Chicken Meat Imports [1/]

Year (Jan-Dec)	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Import Volume (MT)							
Fresh or chilled cuts and offal of chickens	0.5	0.2	0.2	1	1	0.3	-
Fresh or chilled whole chickens	0.1	0.3	0.2	3	21	148	-
Frozen cuts and offal of chicken	1	-	1	2	30	5	23
Total	**1**	**0.5**	**2**	**6**	**52**	**154**	**23**
Import Value (US $)							
Fresh or chilled cuts and offal of chickens	2,999	839	1,295	4,872	10,020	3,478	-
Fresh or chilled whole chickens	93	1,295	1,240	21,444	50,459	98,941	-
Frozen cuts and offal of chicken	3,167	-	2,104	15,700	85,453	60,158	514
Total	**6,259**	**2,134**	**4,639**	**42,017**	**145,932**	**162,577**	**514**

Source: Ethiopian Revenue & Customs Authority (ERCA)

1/ ERCA data does not include approximately 700 MT of chicken imported by Ethiopian Airlines over the last few years for its in-flight catering services.

Policy:

The poultry roadmap under the LMP lays out an ambitious transformation agenda with corresponding, production, consumption, and export targets. As was mentioned earlier, Post believes these targets are too high to achieve within the five-year time frame of the LMP (2015-2020). That said, these targets do provide a very clear indication that the government intends to focus on the development of the poultry industry with the ambition of making chicken meat (and eggs) more available and affordable to Ethiopian consumers. The chicken and egg-related targets are included here as a reference in tables 5, but these should not be confused with Post's PSD estimates as contained in table 6.

The poultry roadmap anticipates several major policy interventions to support the development of the commercial chicken sector in the country. Among these interventions is to promote land acquisition for feed production, enhance trade protection, promote animal health, and provide financial incentives to attract private sector investment at different points along the chicken value chain.

Table 4: Total Chicken Meat and Egg Production Forecast under the Livestock Master Plan

Production	Baseline	Forecast (July-June)					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Average
Chicken Meat (Metric Tons)	48,900	69,900	91,900	115,000	139,000	163,900	115,940
No. of Eggs (in Millions)	419	1,012	1,648	2,340	3,097	3,889	2,397
% Growth- Chicken Meat	-	43%	31%	25%	21%	18%	28%
% Growth- No. of Eggs	-	142%	63%	42%	32%	26%	61%

Source: LMP, Poultry Roadmap (2015-2020)

Table 5: Production, Supply and Distribution (PSD) Table (Volumes Reported in Metric Tons)				
Items/Year	**2014**	**2015**	**2016**	**2017**
Production	48,000	49,000	51,000	53,000
Total Imports	700	750	850	950
Total Supply	48,700	49,750	51,850	53,950
Total Exports	-	-	-	-
Human Consumption	43,000	45,000	47,000	50,000
Other Uses, Losses	5,700	4,750	4,850	3,950
Total Domestic Consumption	43,000	45,000	47,000	50,000
Total Distribution	48,700	49,750	51,850	53,950
Source: FAS Addis Ababa Estimates				