

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary    Public

**Date:** 1/19/2016

**GAIN Report Number:** ET1601

## Ethiopia

**Post:** Addis Ababa

### Ethiopia's Demand for Corn-Soya Blend Expands Due to Drought

**Report Categories:**

Grain and Feed

Oilseeds and Products

**Approved By:**

Michael G. Francom, Ag Counselor

**Prepared By:**

Abdurahman Mohammed, Ag Assistant

**Report Highlights:**

The Government of Ethiopia (GOE) and major relief food aid agencies are mobilizing resources to procure corn-soya blend (CSB) as part of the drought relief effort. About 200,000 metric tons of CSB is required to address moderate acute malnutrition needs during the first half of 2016. Of this amount, the GOE has already secured nearly 90,000 metric tons both locally and abroad. The remaining 110,000 metric tons could be produced in country, if locally-grown soybeans and the pre-mix of vitamins and minerals are available. However, for the last half of the year, imports are expected to become increasingly important as local supplies of soybeans run tight.

## **Overview of Soybean Production and Trade**

Over the last decade, soybean production has skyrocketed from less than 1,000 metric tons in MY2004/05 (Oct-Sep) to just over 72,000 metric tons in MY2013/14. This growth is in part attributed to both the rising domestic and foreign demand for Ethiopian beans. In fact, the prospect of exporting surplus beans abroad to markets like India, Vietnam, and Kenya, appears to have been one of the single largest drivers behind this recent growth. For example, more than half the crop was exported in MY2012/13 and 2013/14, with exports hitting a record of nearly 37,000 metric tons in 2013. See table 1 below for production and export figures.

More recently, according to Ethiopia's Central Statistics Agency (CSA), soybean production during the MY2014/15 was about 72,000 metric tons, up from the previous year's volume of 61,025 metric tons.<sup>1</sup> Of this amount, roughly 40,000 metric tons, or more than half, was consumed on farm, while 27,000 metric tons was exported, leaving approximately 5,000 metric tons for other local needs, such as the production of corn-soya blend (CSB)<sup>2</sup>, edible oil, and animal feed.<sup>3</sup>

For MY2015/16, soybean production is expected to decline because of the drought. However, with the harvest recently coming off the fields, it is still too early to predict the impact of the drought and estimate national soybean production figures. In light of the current circumstances, exports during calendar year exports are expected to slacken somewhat as local food processors produce more corn-soya blend (CSB) to respond to needs resulting from the drought.

Going forward, Ethiopia's soybean production is expected to gradually expand over the coming years in order to meet the aforementioned increases in local demand. With growing demand at home, exports are likely to decline. Moreover, in the near term as local production grows to meet rising demand, it might be worth considering importing soybeans to jump start the local crushing industry and produce vegetable oil, rather than importing palm oil from Malaysia. The by-products from the crushing industry could be used for both food and feed purposes, especially for the poultry sector which is set to expand in the coming years as consumer demand for inexpensive protein climbs.

---

<sup>1</sup> This production figure only includes soybeans from the main growing season, known as the Meher. Soybean production during the short growing season known as the Belg, is negligible.

<sup>2</sup> Soybeans account for a little more than 20 percent (by weight) of CSB ingredients. Source: [USDA CSB Commodity Requirements](#)

<sup>3</sup> [http://www.csa.gov.et/images/general/news/crop\\_utilize\\_2007](http://www.csa.gov.et/images/general/news/crop_utilize_2007)

<b>Table 1: Annual Production (MY basis) and Export of Soybeans</b>									
<b>Descripti ion</b>	<b>2007/ 08</b>	<b>2008/ 09</b>	<b>2009/ 10</b>	<b>2010/ 11</b>	<b>2011/ 12</b>	<b>2012/ 13</b>	<b>2013/ 14</b>	<b>2014/ 15</b>	<b>Avera ge</b>
<b>Producti on ( MT)</b>	8,401	7,899	7,205	15,82 4	35,88 0	63,65 3	61,02 5	72,18 4	<b>34,00 9</b>
<b>Export ( MT)<sup>1</sup></b>	4,838	214	148	1,380	40	34,41 1	35,60 6	27,47 5	<b>13,01 4</b>
<b>% of Producti on Exporte d</b>	57.6 %	2.7%	2.1%	8.7%	0.1%	54.1 %	58.3 %	38.1 %	<b>27.7 %</b>

Source: CSA (production) & [EPOSPEA](#) (export)

1. Calendar year basis.

### **CSB Production and Demand Rapidly Increasing**

The demand for CSB in Ethiopia is skyrocketing due to the emergency food needs resulting from the country's drought situation. In fact, according to the recently-released humanitarian requirements document (HRD) for 2016, roughly 203,000 metric tons of CSB is required to address moderate acute malnutrition needs during the first half of the year. For the second half of the year, the demand for CSB as food assistance is expected to remain high.

To respond to these needs, the government of Ethiopia (GOE) has contracted with seven local food processors to produce 39,000 metric tons of CSB for delivery (~8,000 metric tons/month) to the drought hotspot areas over the next several months. The GOE is reported to have purchased and is supplying these operations with the necessary pre-mix of minerals and vitamins for this locally-contracted amount. See table 2 for a listing of these seven companies.

To put this contracted amount in proper historical context, local CSB production, according to industry sources, hit a record of somewhere between 40,000 to 45,000 metric tons in 2010/11, which was the last time the country experienced significant drought conditions. Post expects that this record will be surpassed this year due to the current drought, but it is still too early to say by how much.

In the meantime, the GOE has separately contracted with WFP for 50,000 metric tons of imported CSB. Separately, the international donor community is expected to increase their CSB imports to support their individual drought relief and assistance programs. The US Department of Agriculture (USDA) is providing almost 5,000 metric tons of CSB through its McGovern-Dole school feeding program in the Afar and Somali regions.

With nearly 90,000 metric tons of domestic and imported CSB already lined up, a little more than 110,000 metric tons are still needed to meet the HRD requirement of 203,000 metric tons for cases of moderate acute malnutrition. Post believes there is ample manufacturing capacity and expects that there

will be sufficient supplies of corn. However, in order to have enough soy, exports will need to drop far below the previous year's figure of 27,000 metric tons. For this to happen, the government may decide to intervene in the marketplace to divert exports for local use. For the last half of the year, CSB imports are expected to become increasingly important as local supplies of soybeans run tight.

In the meantime, local production of CSB will depend on the availability of the pre-mix of vitamins and minerals. The addition of the pre-mix is essential for the product to have the desired nutritional value and impact on target beneficiaries.

As previously mentioned, there are seven major food processors in Ethiopia that have been contracted by the government to produce CSB. Each company reportedly has an average daily production capacity of about 500 metric tons. USAID is working with some of these companies to help bring the quality of the end product in line with international standards. Meantime, in order to improve nutrition, USDA has been working with food manufacturers to increase their use of soybeans in finished food products.

Table 2: Ethiopian Food Processors Making CSB	
S/N	Company Name
1	Guts Agro Industry PLC
2	FAFA Food Share Company
3	Health Care Food Manufacturers PLC
4	Norish Business Group PLC
5	Bekana PLC
6	Abbay International PLC
7	Kidan International PLC

Source: Industry contacts