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Global Agricultural Information Network

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Ethiopia

Post: Addis Ababa

Ethiopia Aims to Become One of the World's Top 10 Sugar Producers

Report Categories:

National Plan

Sugar

Cotton and Products

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Report Highlights:

In recent years, the Government of Ethiopia (GOE) has made considerable investments to boost the country's capacity to produce sugar. With these investments, the GOE envisions the country becoming one of the world's ten largest sugar producers by 2023. In the meantime, post expects sugar production to continue its upward climb, hitting a record of 400,000 metric tons in MY15/16 (May-Apr). Imports during the same period are projected at 205,000 metric tons. Next year, however, the GOE expects sugar production to expand to a point where imports will no longer be needed.

Production

In recent years, the Government of Ethiopia (GOE), through the state-run Ethiopia Sugar Corporation (ESC), has made heavy investments in the country's sugar sector, among which are the construction of new sugar processing factories, the revitalization of older factories, and the expansion of land under sugar cultivation. These ESC-led efforts have and will continue to lead to increased levels of sugar production for the foreseeable future.

For MY15/16 (May-Apr), post is predicting that sugar production will reach a record 400,000 metric tons, up roughly 100,000 metric tons from the current official USDA estimate. The anticipated increase in production is largely attributed to the gradual expansion of processing capacity and more acreage under cultivation. See table 1 for current and historical sugar production figures. According to ESC, the estimated area of land under sugar cultivation, nearly all of which is irrigated, is slightly over 65,000 hectares. Given the widespread use of irrigation, the impact on production from this year's drought in the sugarcane growing area of the country is expected to be negligible.

Sugar production for MY14/15 is revised to 330,000 metric tons. Previously, ESC had predicted that sugar production would reach as much as 1.0 million metric tons during this period. However, these plans were not realized in part due to delays in bringing eight new manufacturing operations fully online. For example, the opening of the Tendaho sugar complex, which is set to become the country's single largest sugar processor and the biggest in East Africa, has suffered repeated setbacks due to construction delays. It was expected that once Tendaho and the other facilities under construction were up and running at full capacity, that the country would no longer need to import sugar and would be able to start exporting. This, however, did not happen this year. In fact, the country was forced, albeit reluctantly, to import. See table 2 for GOE's production projections along with manufacturing capacity. Refer to figure 1 for the location of the sugar factories around the country.

Looking ahead, post anticipates that Ethiopia's sugar production will continue to grow each year as processing capacity expands with new and revitalized processing operations coming online. See Table 2 for list of sugar factories under construction and estimated production. When these and the existing facilities are up and running, the ESC is predicting that the country will become one of the ten largest sugar producers by 2023, with production estimated [4.2 million metric tons](#). However, to crack the list of today's top 10 sugar (cane + beet sugar) producers, Ethiopia would have to produce more than 4.5 million metric tons. In comparison, when comparing Ethiopia against cane sugar producers, Ethiopia would be the 8th largest producer after Australia (4.8 MMT) and before the United States (3.3MMT)

| |
|---|
| Table 1: Ethiopia's Sugar Production |
|---|

| Marketing Year | Production (Metric Tons) |
|----------------|--------------------------|
| 2010/11 | 275,943 |
| 2011/12 | 264,857 |
| 2012/13 | 232,357 |
| 2013/14 | 280,000 |
| 2014/15 | 330,000 |
| 2015/16 a/ | 400,000 |

Source: ESC

a/ Post estimate

| Table 2: Sugar Factories Under Construction and their Estimated Production Capacity | | |
|--|-----------------------|--------------------------|
| Factories | Location | Estimated Production(MT) |
| Arjo-Dedesa | 540km West of Addis | 55,200 |
| Kuraz(1-5 factories) | 760km South of Addis | 1,946,000 |
| Tendaho phase two | 600 North of Addis | 214,000 |
| Walkaiyt | 1200km North of Addis | 484,400 |
| Belles(1-3 factories) | 576km North of Addis | 484,000 |
| Kessem expansion | 245km East of Addis | 89,800 |
| Total | | 3,273,400 |

Source: ESC

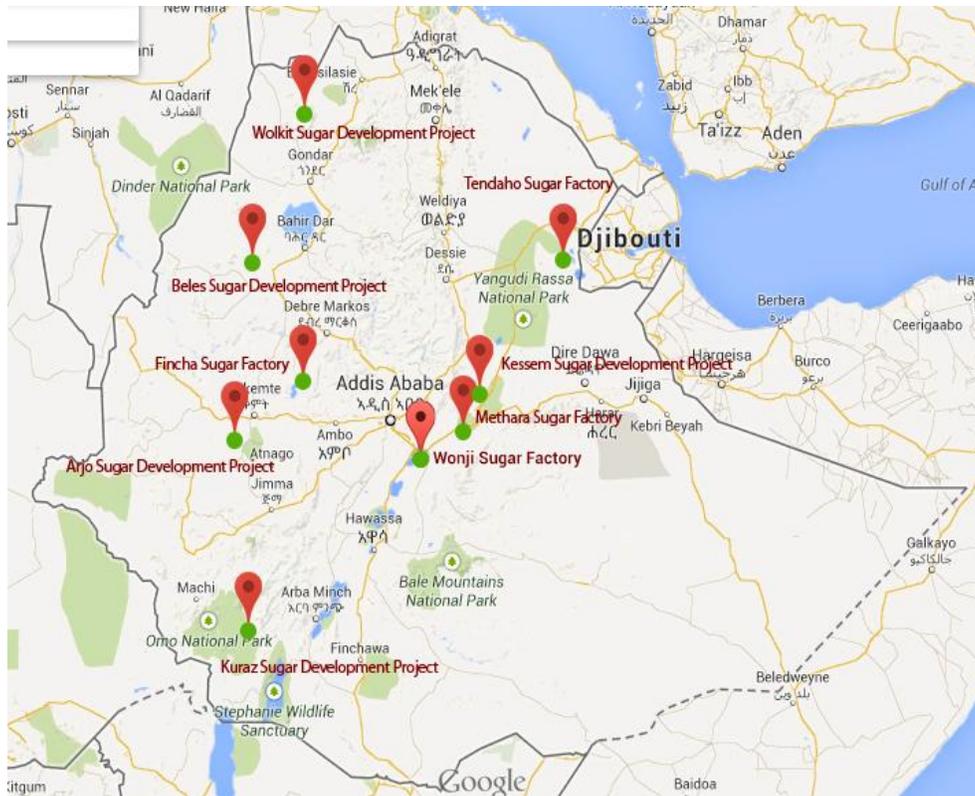


Figure: Location of sugar factories in Ethiopia (Source: ESC)

Consumption:

Post estimates consumption for MY15/16 at nearly 600,000 metric tons, which is up from the newly-revised post estimate of 550,000 metric tons for the preceding year. Post's consumption estimate for MY15/16 is significantly higher than the USDA official figure of 335,000 since it includes newer market data.

Sugar consumption continues to its upward climb as consumer income increases and diets change, though most sugar is used when drinking coffee and tea. While consumption has increased in recent years, the country's annual per capita consumption levels are still some of the lowest in the world at about 5 to 6 kilograms and there are continuous shortages of sugar in the marketplace.

In recent years, nearly one-third of the sugar being consumed in the country is imported. Going forward, however, the GOE anticipates that there will be sufficient supplies of local sugar to satisfy demand, thereby, making imports unnecessary. However, post expects that there will be periodic local shortages early on after Ethiopia starts exporting sugar, but that these gaps should dissipate over time as local production increases to satisfy local demand.

The ESC and the Ministry of Trade control the national price of sugar and manage its distribution and sale through a national quota system. The current retail price of sugar is fixed at roughly \$0.75/kg. National quota allocations are made to three end user groups: (1) household consumers in Addis Ababa; (2) household consumers in the regions outside the capital; and (3) the food industry. On average, about

three-quarters of the sugar goes to consumer use with the remainder going to the food industry.

In the capital city, the Trade & Industry Bureau purchases the quota-allocated sugar from ESC whereupon they sell the sugar to select retailers and shops, such as the Ethiopian Fruit and Vegetable Share Company (ETFRUIT). Outside of Addis Ababa, sugar is sold in a similar manner, but with one difference, the Ethiopian Wholesale Trade Share Company delivers the sugar to the regions and charges the regional authorities for the freight cost. For industrial users, such as food and beverage processors, their quota is set based on annual consumption surveys and previous amounts used. These companies buy their sugar directly from ESC and take delivery at ESC's warehouse facilities in the capital or from the sugar factories' storage facilities.

Trade:

In addition to local distribution, the ESC manages and controls sugar imports and exports. With respect to imports, the ESC tenders for a specific amount of sugar and later selects the lowest offered price based on the given specification. On September 9, 2015, the ESC opened the bidding on a tender for 75,000 metric tons of sugar. Five companies participated in the bidding with Agro Corp, an Indian company, winning the tender with the lowest bid at \$383.50 per metric ton. According to the ESC, this purchase is supposed to be the last time the country imports sugar.

Based on imports to date and the aforementioned tender, Post expects sugar imports for MY15/16 to reach 205,000 metric tons, nearly unchanged from post's newly revised estimate for the preceding year. It should be noted that post's MY15/16 import estimate is significantly higher than the current USDA official estimate of 35,000 tons. This difference is explained by the availability of new market data. Further, while Ethiopia's official trade statistics show otherwise, the ESC reports that all sugar imports are refined sugar. Table 4 contains a breakdown of refined sugar imports for the past several years.

In addition, there is a sizeable volume of informal trade of sugar occurs in the border regions, especially the border with Somalia and Djibouti. This informal trade is driven by the difference between local and international sugar prices. When the local price of sugar is below the international price, local sugar tends to move outside of the country. The reverse is true when prices flip the other way.

| Table 4: Refined Sugar Imports for Marketing Years 2010/11 -2015/16 | | | Source |
|--|--|------------------------------------|---------------|
| Marketing year | Refined sugar (1000metric tons) | Raw sugar (1000metric tons) | |
| 2010/11 | 169 | 181 | ERCA* |
| 2011/12 | 225 | 241 | ERCA |
| 2012/13 | 275 | 295 | ERCA |
| 2013/14 | 192 | 205 | ESC |
| 2014/15 | 201 | 215 | ESC |
| 2015/16 | 192 | 205 | Post estimate |

*ERCA – Ethiopia Revenue & Customs Authority

Stocks:

Stock levels are believed to be relatively small given the high rate of turnover and shortages owing to

strong local demand for sugar in the country. Post, therefore, estimates MY15/16 stocks at 20,000 metric tons, which is down from the USDA official estimate of 75,000 metric tons.

Policy:

Ethiopia's sugar sector is under control of the state-run Ethiopia Sugar Corporation (ESC). The ESC manages production, distribution and trade of sugar. The overriding goal of the ESC is to end sugar imports, expand the country's export capacity, and become one of world's ten largest sugar producers by 2023. Given the expected increase in production with sugar factories coming online, Post expects that Ethiopia will soon begin exporting sugar in the near future.

One of the challenges with ramping up sugar production has been the tradeoff between sugar and cotton production. The GOE's stronger emphasis on sugar seems to have overshadowed cotton production over the past few years, resulting in shortages of locally-produced cotton. Over time, given the demands of the local textile and apparel industry, the balance of sugar and cotton planting should, hopefully, even out.

Production, Supply and Demand Data Statistics:

| <i>Sugar, Centrifugal</i> | 2013/2014 | | 2014/2015 | | 2015/2016 | | |
|---------------------------|------------------|-------------|------------------|-------------|------------------|-------------|------------------|
| <i>Market Begin Year</i> | May 2013 | | May 2014 | | May 2015 | | |
| <i>Ethiopia</i> | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post | |
| Beginning Stocks | 70 | 70 | 75 | 15 | 75 | 10 | (100 0 MT) |
| Beet Sugar Production | 0 | 0 | 0 | 0 | 0 | 0 | (100 0 MT) |
| Cane Sugar Production | 300 | 280 | 300 | 330 | 300 | 400 | (100 0 MT) |
| Total Sugar Production | 300 | 280 | 300 | 330 | 300 | 400 | (100 0 MT) |
| Refined Imp.(Raw Val) | 0 | 205 | 0 | 215 | 0 | 205 | (100 0 MT) |
| Total Imports | 33 | 205 | 35 | 215 | 35 | 205 | (100 0 MT) |
| Total Supply | 403 | 555 | 410 | 560 | 410 | 615 | (100 0 MT) |
| Raw Exports | 0 | 0 | 0 | 0 | 0 | 0 | (100 0 MT) |
| Refined Exp.(Raw Val) | 0 | 0 | 0 | 0 | 0 | 0 | (100 0 MT) |
| Total Exports | 0 | 0 | 0 | 0 | 0 | 0 | (100 0 MT) |
| Human Dom. Consumption | 328 | 540 | 335 | 550 | 335 | 595 | (100 0 MT) |
| Other Disappearance | 0 | 0 | 0 | 0 | 0 | 0 | (100 0 MT) |
| Total Use | 328 | 540 | 335 | 550 | 335 | 595 | (100 0 MT) |
| Ending Stocks | 75 | 15 | 75 | 10 | 75 | 20 | (100 0 MT) |
| Total Distribution | 403 | 555 | 410 | 560 | 410 | 615 | (100 0 MT) |
| TS=TD | 0 | 0 | 0 | 0 | 0 | 0 | |
| Comments | | | | | | | |

