Towards Africa’s industrialization: ETHIOPIA

Will leather exports outstrip coffee?

Ethiopia’s Growth and Transformation Plan places agriculture, in which Ethiopia believes it has competitive advantage, at the heart of its industrialisation policy. In 2011, when the economy grew by 11.4%, industrial output increased by an impressive 15%.

Although Ethiopia’s industrial base is still relatively small, the growth prospects of this sector are significant, as new industries in cement, textile factories and leather emerge. Five cement factories are currently under construction and other large-scale enterprises at the planning stage include steel, chemicals and pharmaceuticals.

The construction boom, with investments coming largely from Saudi Arabia, UAE and China, has directly generated thousands of new jobs and many more in the associated services and supplies sector. More significant in terms of upgrading local capacity in the construction sector has been the government’s massive University Capacity Building Programme (UCBP). German development agency GIZ was commissioned as the implementing agent and project manager for 13 universities scattered around the country. The buildings were designed and constructed exclusively by Ethiopian companies and involved more than 10 construction management companies, over 40 architectural and engineering companies, more than 90 construction companies, and over 750 local small and medium-sized enterprises.

While the new developments are eye-catching, perhaps the greatest scope for value addition is still to be found in Ethiopia’s traditional agro-related industries. Ethiopia produces some of the world’s finest coffee, which contributes about 10% to the national GDP. The livelihoods of around 25% of Ethiopians depend directly or indirectly on coffee. The Ethiopian Commodity Exchange (ECX) has formalized the industry, encouraging more farmers to cultivate the crop.

Once the coffee beans have been collected, there is little scope for additional value addition as most of the crop is sold in green bean form. However, the marketing of Ethiopian coffee has become very sophisticated. Coffee varieties from different regions are branded and sold as premium grade, gourmet coffee in prime outlets – such as Starbucks and high-end supermarkets in Europe, the USA and increasingly, in China, at high prices.

As part of a diversification strategy, the state-owned Ethiopian Sugar Corporation has started the building of 10 additional factories and is inviting private investment as part of a plan to become one of the world’s 10 biggest exporters.

“The country currently produces 300,000 tons of sugar from its three factories and imports around 150,000 tons. The government aims to become self-sufficient in sugar by the end of 2013 and increase production almost eightfold to 2.3 million tons by mid-2015, leaving a surplus for export of 1.25 million tons, according to Abay.

Yet it is the leather industry that holds the most exciting prospects for value addition. With some 78 million cattle, sheep and goats, Ethiopia is the biggest producer of livestock in Africa. In 2005, leather products generated only $9.5 million in export earnings. By 2011, this had grown to $220 million.

High quality, made-in-Ethiopia leather bags, shoes, jackets and even suits are creating a niche market in the high streets of the world’s fashion capitals. Taytu, a collective of 12 Ethiopian leather companies, became the country’s first luxury designer label when it premiered at the Paris fashion accessories collections in autumn 2006.

The entire collection of shoes, bags and shawls sold out almost immediately. Solomon Yesuf, who makes some of the world’s finest suede under the ‘Bati Genuine’ label, says, “We have the raw materials and the know-how to take on and beat the best in the world when it comes to leather products.”

Huaqian, one of China’s biggest shoe manufacturers, employs hundreds of skilled Ethiopians at its shoe factory in the new industrial zone in Dukem, outside Addis Ababa. The firm, which exports to Europe and the US, is planning to invest a further $2 million in the plant. With high-end handbags selling for up to $6,000 in Western fashion outlets, Ethiopia’s leather entrepreneurs are convinced revenues from leather exports will soon outstrip those from coffee.

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