

# Ethiopian Honey: Accessing International Markets with Inclusive Business and Sector Development

Author: Paulos Desalgne

Organisation: SNV Ethiopia

This case is one of a series specifically prepared by SNV and local partners for the “Seas of Change” event, taking place in The Hague, 11-13 April 2012. The cases cover a range of commodities and approaches in value chain development across Africa, Asia and Latin America. They usually include several of the following elements: strengthening of producer organisations, productivity improvement and value addition, business development services, inclusive business ventures, contract farming, marketing arrangements and improved chain financing. The work has been done with local entrepreneurs, NGOs and government bodies. Among the international collaborative partners are: IFAD, FAO, EU, USAID, DANIDA, Helvetas and IDB. For an overview of these SNV cases please see [www.snvworld.org/en/sectors/agriculture](http://www.snvworld.org/en/sectors/agriculture)

## Key features

Ethiopia exported its first consignment of honey to the European Union (EU) in 2008 after a three year period of preparations towards attaining Third Country Listing status. This was the result of a deliberate set of interventions to help increase processing capacity in combination with an out-grower scheme to supply honey. This case study explains how increasing exports was achieved with inclusion and expansion of smallholder beekeeping practices, and the development of the business sector as a whole.

The 8,193 small holder farmers, who were directly trained as part of the out-growers programme of 8 leading exporters, saw an increase in production of 23%, and a revenue increase of 27%(US\$) / 83%(ETB) during the last three years alone<sup>1</sup>. An additional 72,000 beekeepers experienced indirect and smaller effects of the training on their income. The additional incomes enabled farmers to improve the living conditions of their families and send their children to school. Based on its 122% growth in exports value and 107% growth in its share of the world exports, Ethiopian honey export was categorized by the International Trade Centre as a ‘star’ in structural performance.

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<sup>1</sup> Post Implementation Review Report, November 2011

## 1. Context and background

The honey sector was one of the few sectors that had the most inclusive ability to achieve transformation and growth across all categories of rural households. This is because of its large resource base and low barriers to entry. There are an estimated 5.15 million hives in Ethiopia, which are almost all entirely maintained according to traditional methods. These hives are managed by approximately 1.4-1.7 million farm households, who are keeping bees as a means of additional income generation.

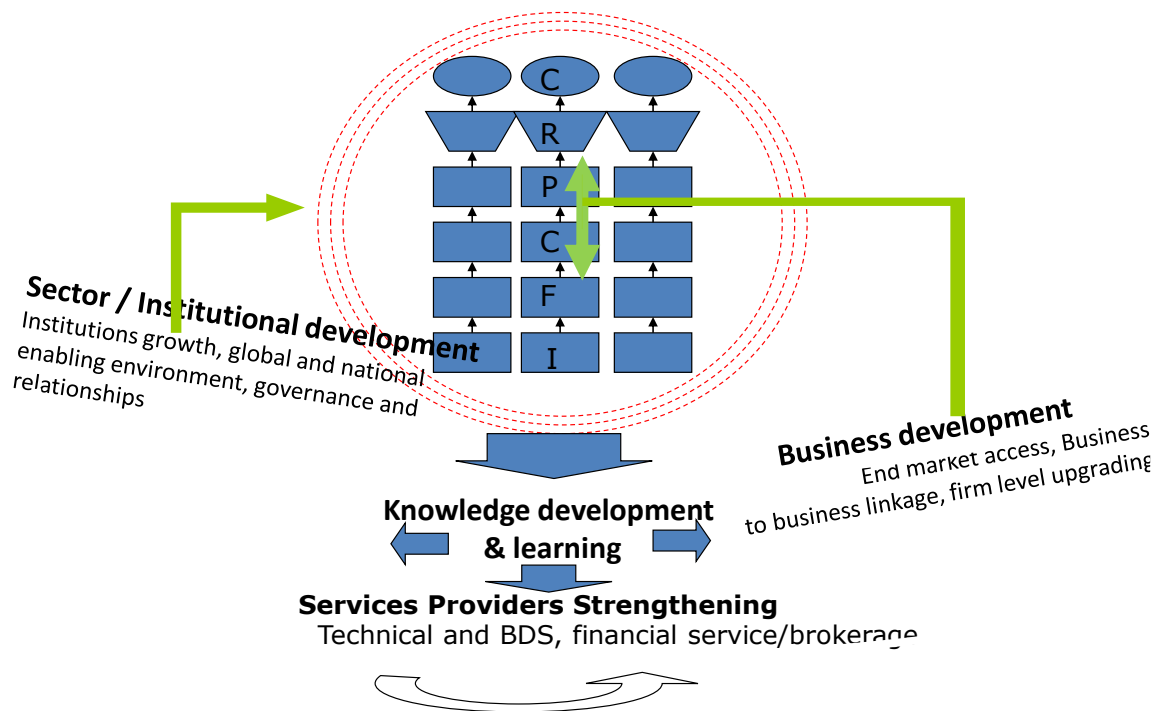
About 10% of the honey produced in the country is consumed by beekeeping households. The remaining 90% is sold for income generation; of this amount, it is estimated that 70% is used for brewing tej and the balance is consumed as table honey; additionally beeswax is collected and traded. Honey is a vital factor in job creation and maintaining livelihoods. However, current honey production estimate represents only 8.6% of the country's production potential. Productivity from traditional hives is very low, with an average of 5-6 kg per year, while production from improved hives (including transitional hives) reaches levels of 18-30 kg per year.

Honey and other apiculture products (i.e. beeswax, propolis, pollen, royal jelly and bee venom) are among the growing export commodities with good potential for a number of African countries. The global honey market offers huge opportunities for Ethiopian honey. Large markets include the EU, the United States and the Middle-East. For example, the EU only produced 60% of the honey it consumed in 2009; the remaining 40% was imported.

However, to become a stronger player in the world market, the supply of honey had to be increased by a system level intervention. In the past, many donors have promoted modern beekeeping in Ethiopia, but most interventions have been production focused and neglected the wider value chain context – hence the impact of their investments have been negligible. Considering the commodity potential, SNV, with Embassy of the Kingdom of Netherlands (EKN) support, facilitated the honey sector's development through a programme called Support to Business Organisations and their Access to Markets (BOAM), in which initiatives were taken based on a new business model. The objective was to create a well-developed Ethiopian honey sector that is globally competitive for its high quality of processed honey and beeswax, with increased production and productivity and improved quality that would create employment and increase incomes for rural households.

Another constraining factor for Ethiopia becoming a player in the world's honey and bee wax sector was that Ethiopia was unable to export to the EU until 2008. One of the main reasons for not exporting to EU market was that Ethiopia was not listed as a Third Country with an Approved Residue Monitoring Plan, an EU regulation controlling exports to all EU member states.

## 2. Underlying business model



As indicated in the figure above, capacity development support was delivered to develop four key areas: (1) Sector development; (2) Business development; (3) Service capacity development; and (4) Knowledge development and learning. The focus of the intervention was the middle of the value chain through support to processors/exporters.

### i. Sector or institutional development

Sector or institutional development has been facilitated and promoted by SNV Ethiopia in the form of 'meaningful dialogue' in co-ordination groups. These co-ordination groups steer sector development, generate sector-wide strategic interventions, and promote strategic 'win-win' partnerships with key public and private stakeholders. As part of its sector development component, BOAM assisted the establishment and strengthening of sector associations such as the Ethiopian Beekeepers Association (EBA), the Ethiopian Honey and Beeswax Producers and Exporters Association (EHBPEA) and the Ethiopian Apiculture Board (EAB). For instance, BOAM has accelerated the establishment of the EHBPEA and provided opportunities for experience sharing with other associations and assisted the development of standardised training manuals for the EBA. It supported the EAB in strategic planning and gaining recognition representing the sector.

### ii. Business development

To support business development, BOAM developed the capacities of private sector processors with business planning, HACCP/ISO certification, product diversification, and traceability and facilitated the development of business to business (B2B) arrangements between eight processors with export partners and 8,139 beekeepers in out-grower schemes including the delivery of embedded services. Four beekeepers co-operative unions with 19,000 members were strengthened with management, business orientations and planning, and Fair Trade Labelling Organisation (FLO) certification. An appropriate technology is promoted in the form of the transitional beehive, which increases

productivity by 100% to 200% as compared to the traditional beehive. This beehive is made of locally materials at a cost of US\$4.50-5.70 per hive.

### **iii. Strengthening service providers**

To support service capacity development, BOAM strengthened nine service providers through coaching, outsourcing and integration in the honey value chain. Specific programmes, such as the Competency Pool Programme (CPP) and the Young Professional Programme (YPP) have increased access to capacity development support in a way that empowers local service providers and allows them to acquire tailor-made services geared towards their needs. Public service delivery is increasingly aligned to the needs of business to business relations in the value chain. Furthermore, BOAM created partnerships with international organisations like the Fair Trade Labelling Organisation (FLO) to enable farmers and agro-processors to export organic fair trade honey to international markets. The BOAM-FLO partnership has organised awareness raising training to beekeepers and liaised with processor/exporters.

### **iv. Knowledge development and learning**

Knowledge development and learning took place in the form of developing, testing and sharing of results of innovative value chain development pilots with regards to the access to inputs, knowledge and skills of beekeepers, collaboration among stakeholders at the local level and bee forage development. Experiences were documented in the form of publications and specific cases. BOAM has sponsored members of the sector associations to participate in international networks such as Apimonda, trade fairs and expositions to stimulate cross-learning and exchanges with other similar value chains in other countries and global networks.

## **3. Evolution of the initiative**

One of the major turning points in the honey value chain was The Third Country Listing for export of honey, obtained in 2008 with the first table honey exported to the EU. The news that Ethiopia could export honey to EU markets energised and engaged VC actors to collaborate for the development of the sector. A number of initiatives were made that to happen.

In 2005 with the support of BOAM, the chairman of the Honey and Other Bee Products Value Chain Co-ordination Group attended APIMONDIA, a honey trade workshop in Dublin, in which Third Country Listing of African countries was a key topic. He returned with detailed information regarding the process that facilitated the Zambian Third Country Listing and approached SNV-BOAM for assistance in registering Ethiopia on the EU Third Country Listing. Using information from the Zambian experience, SNV began by preparing an action plan for the Ethiopian honey Third Country Listing.

After that, the process was taken over by the Honey Quality Working Group established by the value chain co-ordination group to oversee the process, provide input and approve submissions. The programme supported the process by identifying and financing international and local specialists qualified to bring the Third Country Listing accreditation process to a successful conclusion. The residue monitoring plan/EU accreditation assisted the beekeepers to improve quality and produce more due to increased prices. With regards to the processors, it helped them to access new markets.

The creation of an export market is meaningless if there are no buyers. It is therefore essential to find business partners. Measures were taken and financially supported through the BOAM funds to link exporters in Ethiopia to importers in the EU. For that, SNV-BOAM supported (i) an international conference “Developing business in bee products” hosted in Addis Ababa by the Ethiopian Honey and Beeswax Producer and Exporters Association on January 16-18, 2007. (ii) A side event “Ethio-Millennium Agro Industry Fair”, also hosted by the Ethiopian Honey and Beeswax Producers and Exporters Association (Addis Ababa, January 16-20, 2007). (iii) The presentation of

Ethiopian specialty honeys at the International Slow Food Fair in Stuttgart, Germany (June 14 -16, 2007).

Those changes triggered more actions and SNV-BOAM continued its support to honey processing companies to establish out-growers and train beekeepers. A company called BezaMar tested in 2007/2008 the establishment of 349 out-grower relationships, with technical and organisational support from SNV-BOAM and a financial grant from the business innovation fund. This was accompanied with skills improvement training for the out-growers, aimed at increasing the quality production of honey by the beekeepers. As a consequence, the out-growers increased the supply of honey to BezaMar from 18 mt to 58 mt in 2005/06 to 2007/08 production season as a combined result of productivity increases and more honey being sold to the company by the farmers due to price incentives.

Significant improvement in quality<sup>2</sup> has been observed resulting in a costs reduction of US\$0.36 per kilo for BezaMar, making it possible to pay an additional US\$0.30-0.50 per kilo to the out-growers for quality honey. At the farmer level, production per household has increased by an average of 50% in the same period. Annual household incomes derived from honey increased from US\$99 to US\$250 as a consequence of the support. The number of out-growers has steadily increased since approaching 1,000 beekeepers by 2010.

Additional participation in trade fairs has expanded BezaMar's markets to the United States for specialised labelled honey including the Tropical Forest, Blue Nile and Lalibela varieties. With organisational support for business plan development, BezaMar received a loan from a commercial bank. As a consequence the service provision to out-growers has improved by providing inputs such as hives and other materials on loan to beekeepers. Five other processors<sup>3</sup> followed BezaMar's example resulting in a total export of 298 mt (32.5, 153 and 112 mt of table honey in 2008, 2009 and 2010 respectively) with a supply from a total of 8,193 out-grower beekeepers.

After several years of BOAM support, the first up-scaling of the honey value chains towards the export of table honey has actually taken place with a large group of processors and beekeepers involved. The institutions are in place to co-ordinate and steer further value chain development. Small farmers and other chain actors have better access to services, inputs, new technologies and market information. Training has become standardised and a pool of service providers is available to provide that training. Most actors indicate that the honey value chain is ready to take-off and to exploit the full potential by retaining the momentum and by making additional investments. Additional innovations are required to secure missing elements like securing commercial financing to up-scale the results on a wider basis.

## 4. Impact

The impact for the beekeepers included in the Value Chain was tremendous. The impact ranged from employment, to the improvement in quality and hence higher prices for their products that resulted in better incomes. In total, more than 80,000 households experienced an increase in income; including 8,193 beekeepers who were direct trainees who increased their incomes by 27%<sup>4</sup>. To illustrate the changes two examples are presented below:

- Beza Mar P.L.C. (a honey processor) collected organic honey from south western Ethiopia paying US\$1.10 to US\$1.70 for a kilo and, after having it processed and packaged, exported it to the EU market in quantities of 5, 44, 70 and 150 mt of organic table honey in 2008, 2009, 2010 and 2011 respectively. The produce exported in 2010 registered an increment of 127% over that of 2009. Export volume in 2011 was 30 times the volume of honey exported in 2008. Beeswax exports were 17% higher in 2009 than 2008 and maintained that level in 2010. According to the manager

<sup>2</sup> Improved quality in honey is mainly refers to low moisture content and cleanliness compared to level of adulteration.

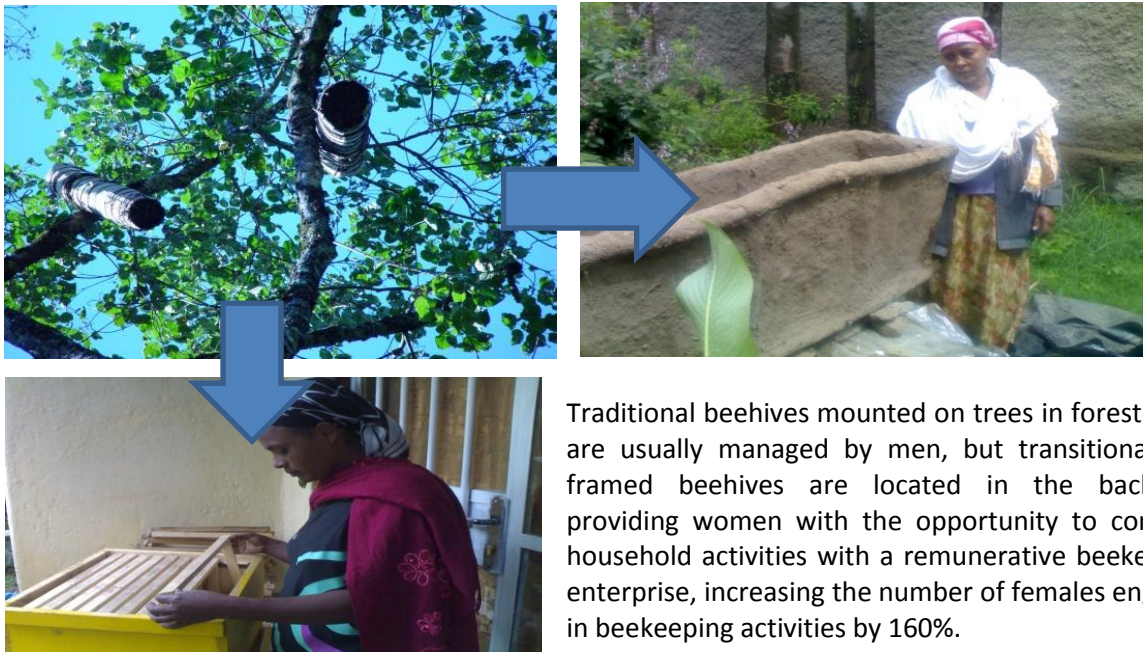
<sup>3</sup> The five processors are Tutu & Her family, APINEC, ALEM, DIMMA, and COMEL.

<sup>4</sup> PIR-report-BOAM final

of the company, these increments have been brought about by about US\$0.46 to 0.57 investments made on a kilo of post honey purchase activities (i.e. organic, ISO and HACCP certification, accreditation and renewal, processing, packaging, transporting, insurance and delivery at port /FOB price/ - Djibouti). During the period the company developed the business relationship with the initial out-growers and increased the number of beekeepers included in the company out-growers scheme.

- Tutu P.L.C (processor) entered the EU market in 2009 and 2010 with 20 and 60 mt of organic table honey respectively. The amount exported in 2010 exceeded that of 2009 by 200%. The company planned to export up to 60 to 80 mt of honey in 2011 to the same market. This would represent an average increase of 17% compared to 2010.

Beekeepers who received the training and other embedded services improved their practice. Average annual productivity of traditional hives stood at about 7 kg per hive, while that of transitional hives and framed beehives reached around 20 kg and 27 kg. A survey conducted to assess the result of the skill improvement programmes showed that the use of transitional and framed beehive increased by 483% and 146% respectively, while that of traditional beehives stayed constant (SNV, 2011). With an assessment involving 17 organisations from 2008-2010 evidenced in total, the 8,193 households reported 2 year average production increases of about 23% (from 104kg/hh/yr) and revenue increase in ETB of 83% (from 1,999 ETB/hh/yr to 3,660 ETB) and 27% in US\$ (from US\$222/yr to 282US\$).<sup>5</sup> Indirect and smaller effects of the training have been found in a total of 72,000 additional beekeepers (SNV 2011). The additional income derived from the skills enabled them to send their children to school, build houses with corrugated iron roofs and improved living conditions. Due to the introduction of the transitional hive, beekeeping became more of a family affair rather than just men’s business, and women became more engaged in beekeeping.



Traditional beehives mounted on trees in forest areas are usually managed by men, but transitional and framed beehives are located in the backyard, providing women with the opportunity to combine household activities with a remunerative beekeeping enterprise, increasing the number of females engaged in beekeeping activities by 160%.

Export values of honey have increased significantly rising from a value of US\$13,634 in 2003/4 to US\$900,000 in 2009/10. As a consequence, the International Trade Centre categorises Ethiopian honey export trade as a “star” in structural performance based on its 122% growth in exports value and 107% growth in its share of world exports. The sector association has started taking on more responsibilities, with for example the EAB as the formalised institution of principal apiculture stakeholders organises the co-ordination groups at national and regional level. Considering EAB’s critical importance for the sector, the German government supported them through the provision of

<sup>5</sup> The change in US\$ is lower than the change in Birr ,because Birr value has declined as compared to US\$.

a two-year secondment of an advisor. The co-ordination group accelerated the process of an apiculture proclamation and the establishment and assurance of government funding for the European Union Third Country Listing renewal process. Furthermore, the endorsement by the Ministry of Trade and Industry (MoT) of government support for increased private sector investment in laboratory capacity is worth mentioning.

## 5. What are the key implications for scaling inclusive business?

The BOAM honey value chain followed a holistic approach right from the start. The Honey Value Chain Co-ordination Group (HVC CG) brought different stakeholders (producers, business organisations, researchers, capacity builders, policy makers and donor agencies) together and enabled them to shape their knowledge and visions on the honey sector. The HVC CG, through a process facilitated by SNV-Ethiopia, came up with a Strategic Intervention Plan (SIP), developed a common vision for the sector in “table honey” as an upgrading choice and selected its own chain leader (“chain governor”). The SIP further defined critical interventions. The CG regularly met and discussed issues in the overall sector and in the value chains (VC) in particular. The HVC CG allowed VC actors to jointly identify constraints in the VCs, analyse policy issues and identify strategies to address these constraints. It has provided the opportunity to link stakeholders for joint activities and mutual benefits, strengthening connectivity within the VC.

With the review and consultation process, SNV and its partners learned that to involve large numbers of smallholder farmers in innovations, new arrangements are required. Those arrangements need to attract more commercial finance to the sector. At the same time the actors should take charge to develop the sector further. Taking these lessons into consideration, a programme called “ASPIRE – Apiculture Scaling-up Programme for Income and Rural Employment” was prepared and submitted to a donor. It is a five year programme and it is hoped to start in mid-2012. In this programme the commercial financing and the building of local capacities are the key components.