



Opportunity to invest in sesame hulling, roasting, and tahini for domestic and export markets

Sesame value-add and processing in Ethiopia is a promising opportunity. Here we feature an example of a brownfield opportunity, in which an investment of nearly \$10 million in expanding an existing processor could return an estimated IRR of 30-40% over 10 years.

1 MARKET OPPORTUNITY

Sesame production is growing by 10% annually, with area expansion projected to increase production by a rate of 20%. Productivity is expected to increase from 0.68 to 1 tons per hectare, surpassing the world average and becoming second to China. There is significant potential for growth in terms of quantity and quality through various improved production techniques and cultivation of additional new land.

Though there is limited local use and consumption of sesame in Ethiopia, tahini is increasingly demanded by Middle Eastern and Asian businesses, as well as by restaurants and hotels.

Exports are a major opportunity. 88% of Ethiopia's sesame is exported, with China and Israel major importers. Ethiopia's export earnings from sesame grew by 24% from 2010-14.

In the near-term there is clear demand for hulled and roasted sesame on international export markets and ground sesame (tahini) in domestic and regional markets. By increasing in-country value-add, Ethiopia can tap into higher-end markets not yet being accessed, building on its successful brand image as a large supplier. In the longer-term, sesame oil may be a significant opportunity with the local Wolega variety being ideally positioned for oil extraction. However, in the near term it may be challenging to successfully enter the global sesame oil market due to significant fluctuations in domestic prices and strong competition from large global exporters such as India and China.

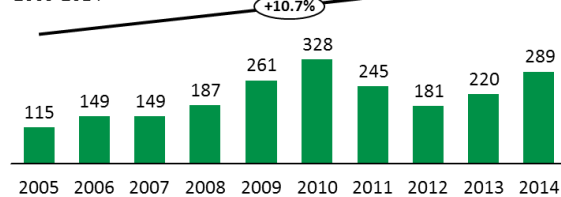
2 WHY INVEST IN ETHIOPIA?

Strong supply of quality raw inputs > Favorable climates have introduced a large diversity of sesame seed varieties including the world-famous Humera variety that is used in confectionary. Northwestern Ethiopia is particularly well suited for sesame production with Amhara a major producer of Humera sesame. Furthermore, there is an opportunity to align with Ethiopia's Agricultural Commercialization Clusters (ACC) initiative. The identified Amhara Sesame Cluster has some of the highest sesame production in the country, comprising a 40% share of national production.

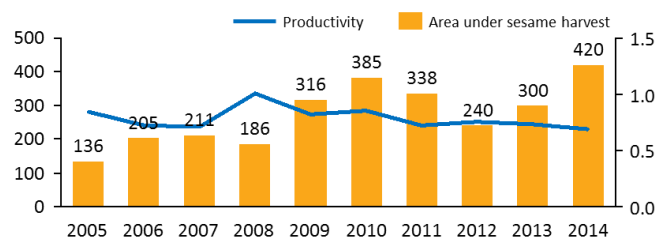
Proximity to key export markets > Ethiopia is a top-10 producer of sesame contributing 7% of global sesame production. Sesame is already Ethiopia's second-largest earner of foreign exchange; the cluster alone brought in revenues of ~ETB 4 billion from sesame sales in 2015. Ethiopia's geographic proximity to key Middle-Eastern export markets such as Israel and Egypt is a key advantage and presents a growing sales opportunity.

Production of sesame has increased by 10% per year, with productivity ~0.8 tons/ha on average

Volume of sesame production, '000 tonnes
2005-2014



Area under sesame harvest, '000 hectares
Productivity, tons/ha
2005-2014



3 SPOTLIGHT ON A POTENTIAL GREENFIELD INVESTMENT



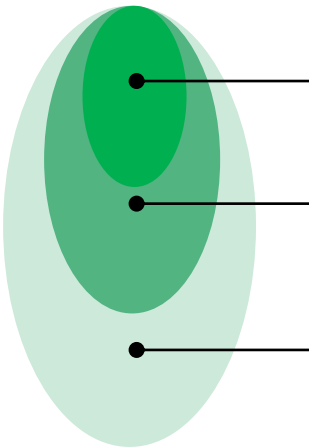
A ~\$10 million investment in Ambasel Trading House has the potential to deliver an IRR of 30-40% over the next ten years. Ambasel Trading House is the second-largest exporter of raw and hulled sesame and the sole producer and exporter of tahini in Ethiopia. It operates three sesame processing plants that process hulled, roasted and tahini and has a sesame farm in Metema in the Amhara Sesame Cluster. Ambasel aims to expand its processing plants to Metema particularly in value-added sesame products.

Product	Gross Margin
Raw sesame	15.3%
Hulled sesame	12.3%
Roasted sesame	10.4%
Tahini	25.9%
Tahini (Domestic)	56.0%

Assumptions	USD/ton
Farm gate price for input	977
ECX prices for input	1,283
Raw sesame	1,400
Hulled sesame	1,560
Roasted sesame	1,600
Tahini	2,000
Tahini (Domestic)	3,023

4 INVESTING IN SOCIAL CHANGE

Ethiopia is a unique market in which investment can contribute to improvement in incomes and livelihoods. With 42% of GDP and 77% of employment, agriculture is the lifeblood of Ethiopia and presents an opportunity for impactful investment.



Direct impact. Ambasel’s increased capacity utilization and additional processing will create for employment for over 70 individuals. Farmers will also benefit from training and input provision from unions/investors through outgrower schemes.

Indirect impact. Thousands of sesame farmers in the Amhara cluster will be positively affected by the investment through the direct procurement of sesame from smallholder farmers industry will support farmer livelihoods by ensuring a secure market.

Ecosystem impact. Increase in processing will lead to larger volumes of by-products (sesame cake) which can be used for animal feed, thereby supporting the livestock sector. The processing plant will also contribute to developing local business and build market for restaurants and hotels.

5 INTERESTED TO LEARN MORE ABOUT ETHIOPIAN AGRICULTURE? WE CAN HELP.

In the coming decade, the private sector will play an even greater role in Ethiopia’s agricultural transformation, creating markets for Ethiopia’s farmers. The Private Sector in Agriculture Team engages early with serious investors to understand interests and concerns, works with them to identify promising opportunities, provides relevant market analysis, and helps navigate the local environment. With support from USAID’s Investment Support Program, the ATA has developed detailed investment cases on opportunities in beef & dairy, poultry & feed, soybean, fruit & vegetable, wheat, and sesame.