



# Ethiopian Herbs & Essential Oil

*Sector assessment for EU export*

June 2020



CBI  
*Ministry of Foreign Affairs*

**Commissioned by:**

Center for Promotion of Imports from Developing Countries (CBI)  
The Hague, the Netherlands  
[www.cbi.eu](http://www.cbi.eu)



**Prepared by:**

Shayashone (SYS PLC)  
Addis Ababa, Ethiopia  
[www.shayashone.com](http://www.shayashone.com)



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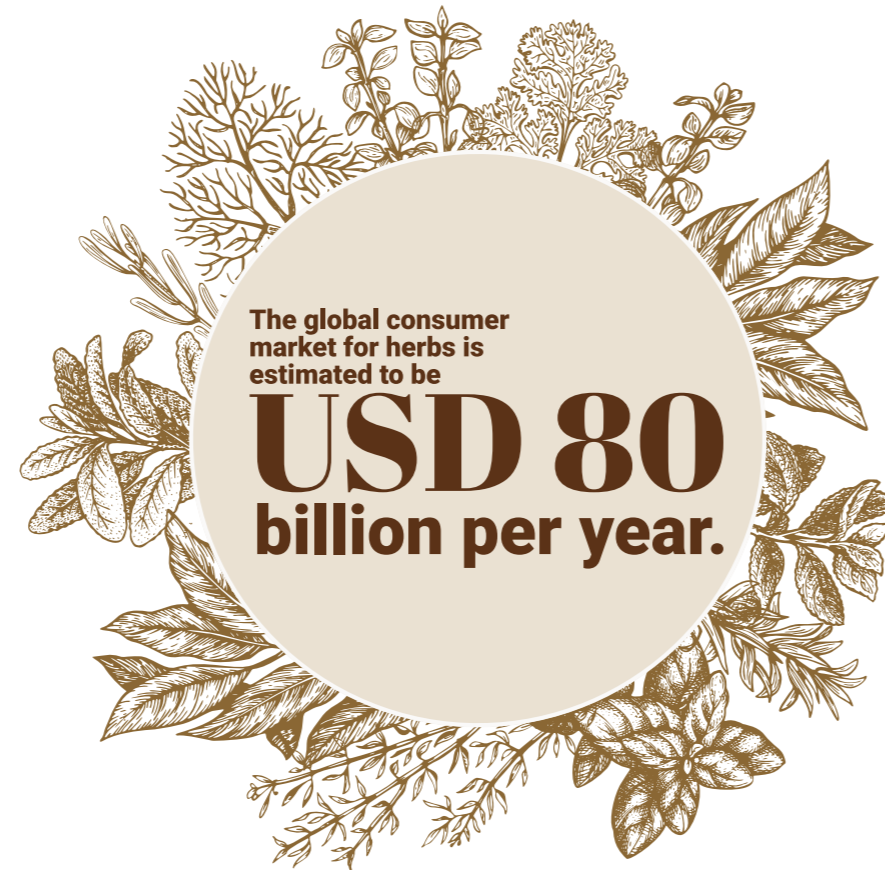


# 1 Executive Summary

Herbs have three major categories of use: culinary, medicinal and personal care. According to Global Nutraceutical magazine (2008), the global consumer market for herbs is estimated to be USD 80 billion per year. The report further highlighted that the value of herbal dietary supplements (\$11 billion) and herbal functional foods (\$14 billion), herbal beauty products (\$14 billion) and the remaining share goes to medicinal herbs.

The global market for herbs is dominated by a few European, Asian and North American countries. Other recent reports indicate the market for herbs to be over 120 billion USD in 2020 and forecasted to grow by 8%. The growth is driven by increasing health consciousness of consumers particularly in Europe, North America and Asia. On the other hand, the annual demand for essential oils is estimated to be USD 16 billion in 2017 and the market was projected to grow at 9% CAGR in the coming five years.

An overview of global import and export of herbs indicate that China, India and Germany are the top three exporter countries of medicinal herbs whereas USA, Germany and Japan are the leading importers. On the other hand, Italy, the Netherlands and China lead the exporters pack for fresh herbs while USA, Germany and UK are the top three importers. It is important to note that data for export and import of herbs is not comprehensive as different herbs are placed under different HS code that can't be easily retrieved. In relation to essential oils, the top three exporters are (1) India (2) USA (3) UAE.



Ethiopia grows over 23 culinary and aromatic herbs and over 100 medicinal herbs that are currently on use at commercial scale. The annual production of major edible herbs in Ethiopia is estimated to be over 10,000MT. The top three herbs produced in the country are Basil, Rue and Koseret. Herbs like Rosemary, Chives and Parsley are the most popular among commercial herb growers for the export market. Production of herbs is primarily by smallholder farmers but commercial farmers are playing an active role particularly in production for export. The processing of herbs in Ethiopia has been limited to essential oil extraction and production of herbal tea. Estimates reveal that the country produces around 3 MT of essential oil mainly from Eucalyptus, Lemongrass and Rosemary. The processing of herbal tea is made by Ethio-AgriCeft using chamomile.

The overall export earning of Ethiopia from herbs and essential oils seems low. Between 2015 and 2017, the country exported USD 6.8 million worth of herbs. Over 90% of Ethiopian fresh herbs are exported to the EU, primarily to UK, the Netherlands and Germany. According to data from ITC, Ethiopia exported USD 3.2 million in 2019 up from almost zero in 2017.

Growing international and domestic demand provides an opportunity for the Herbs and Essential oil sectors of Ethiopia. The fact that the country has diverse agro-ecology and biodiversity added to the strong herb culture means that production can be scaled to match global and local market. However, one can clearly see that currently both the herbs and essential oil sectors are suffering from lack of attention by the government, high degree of fragmentation in market and production, poor quality, lack of market oriented production and limited consistent market. The essential oil extractors face lack of availability of inputs.

Supporting commercial herb growers for better market access within EU and building the capacities of essential oil sector players to match EU market requirements are among the possible areas identified for CBI potential investments. The commercial herb growers in Ethiopia are already exporting to the EU but the companies indicated that access to market during the summer where production from southern European countries is available has been a challenge. Likewise, the Ethiopian growers are currently exporting to traders in Europe where value distribution across the chain is seen as unfair. As such any support from CBI to address these problems would be highly appreciated.

**ETHIOPIA**  
**GROWS OVER**  
**23** culinary & aromatic herbs  
**& OVER 100** medicinal herbs

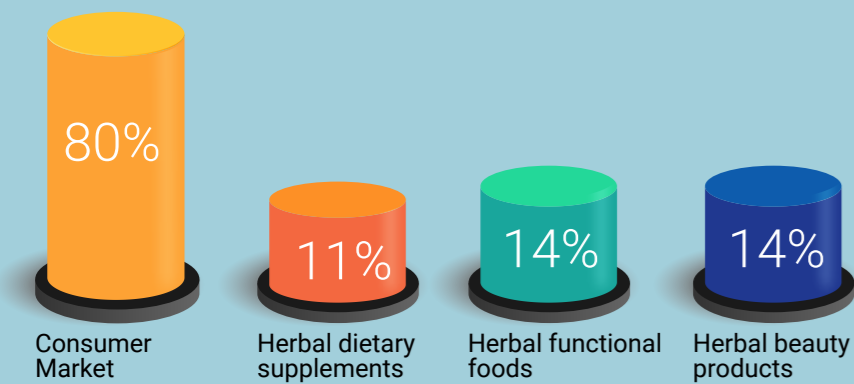




# 2 Herbs

## 2.1 Global Market Overview

Herbs have three broad categories of uses: culinary, medicinal and personal care. It is hard to find consistent and comprehensive data about global market size of herbs. Different sources state different figures on the global market for herbs and herbal derivatives. However, almost all publications provide a consistent remark that the herbal market is growing and anticipated to grow in the coming future due to increasing health consciousness of consumers and the need to return to nature. A recent publication release by P & T estimated the market for herbal and herbal remedies to be US\$65.7 Billion, and growing at 7.7%.<sup>1</sup> The report also indicated that in 2025 the global herbs and remedies market will reach over US\$96.1 Billion. On the other hand the global market research by the Market Research Future reveals that the global demand for medicinal herbs alone to be 138 billion US\$ in 2020.<sup>2</sup> Another report estimated the consumer industries of medicinal plants as more than USD 80 billion. The report further highlighted that the value of herbal dietary supplements (\$11 billion) and herbal functional foods (\$14 billion), herbal beauty products (\$14 billion) and the remaining share goes to medicinal herbs.<sup>3</sup> The global market for herbs is dominated by few European, Asian and North American countries. Details of this will be discussed in the export and import overview section below.



<sup>1</sup> <https://www.ptcommunity.com/wire/global-herbal-supplements-and-remedies-industry>

<sup>2</sup> <https://www.marketresearchfuture.com/reports/herbal-medicine-market-3250>

<sup>3</sup> [https://www.nutraceuticalsworld.com/issues/2008-07/view\\_features/the-global-herbs-amp-botanicals-market/](https://www.nutraceuticalsworld.com/issues/2008-07/view_features/the-global-herbs-amp-botanicals-market/)





## 2.2 Production Overview

According to the World Bank report (2017), China and India are by far the most dominant producers and suppliers of herbs to the global market. There is no quantitative information about the volume of herb produced by each country. The International Trade Center reveals that 80 % of world-wide imports and exports are allotted to only 12 countries with the dominance of temperate Asian and European countries. Japan and the Republic of Korea are the main consumers of pharmaceutical plants, and China and India are the world's leading producing nations. Hong Kong, the USA and Germany stand out as important trade centers.

On the other hand, a closer overview of fresh herbs supply revealed that Mexico, Spain, Italy, and Bulgaria have significant market positions in the world. An overview of market intelligence data on Tridge indicates that Egypt, South Africa, Morocco, and Kenya have several registered suppliers of herbs to the world market. A closer review of the the profiles of companies listed on the site indicate that most are commercial farmers supplying to Europe.

## 2.3 Export Overview Medicinal Plants

The HS code for herbs export and import seems to vary for different herbs. According to the six-digit HS Code, herbs are placed under sections 070999 (Fresh or Chilled Vegetables n.e.s.) and 121190 (Plants and parts of plants including seeds and fruits for perfumery, pharmacy, insecticide, fungicide and similar purpose). The former HS code commonly represents fresh herbs primarily used in culinary applications whereas the latter includes herbs that are used for pharmaceutical and perfumery purposes.

The International Trade Center (ITC) provides export data of medicinal herbs under HS 121190. An overview of other reports from World Bank and other sources reveal that this code represents medicinal plants without any value addition. The cumulative export value of herbs reported under this HS code between 2015 and 2019 was over 13 billion USD. In this category, China dominates the global market accounting for over 27% of the world value. The trend for this category of herbs has increased by about 8% between 2015 and 2019.

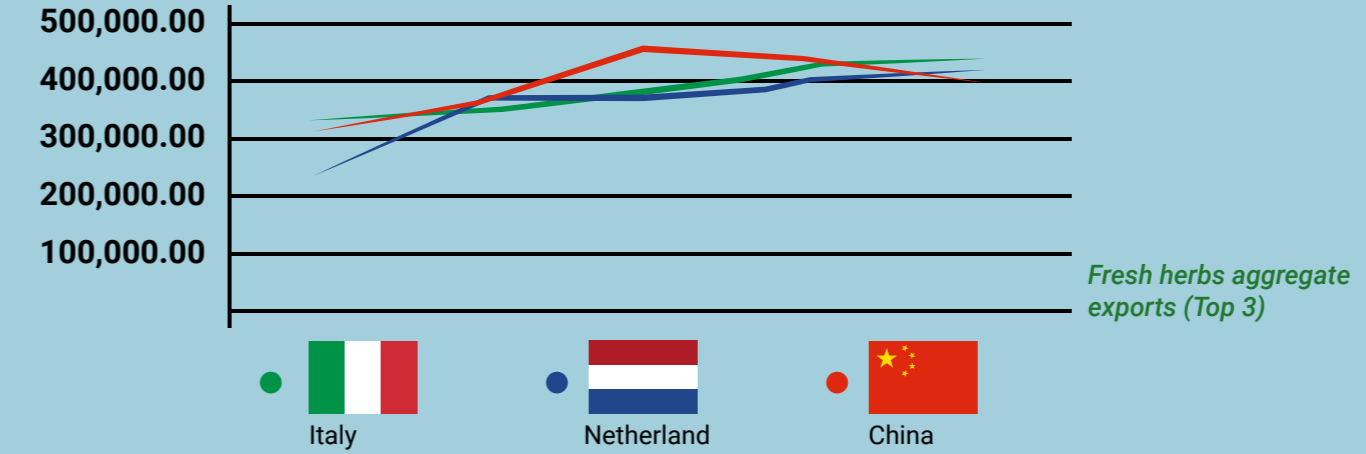
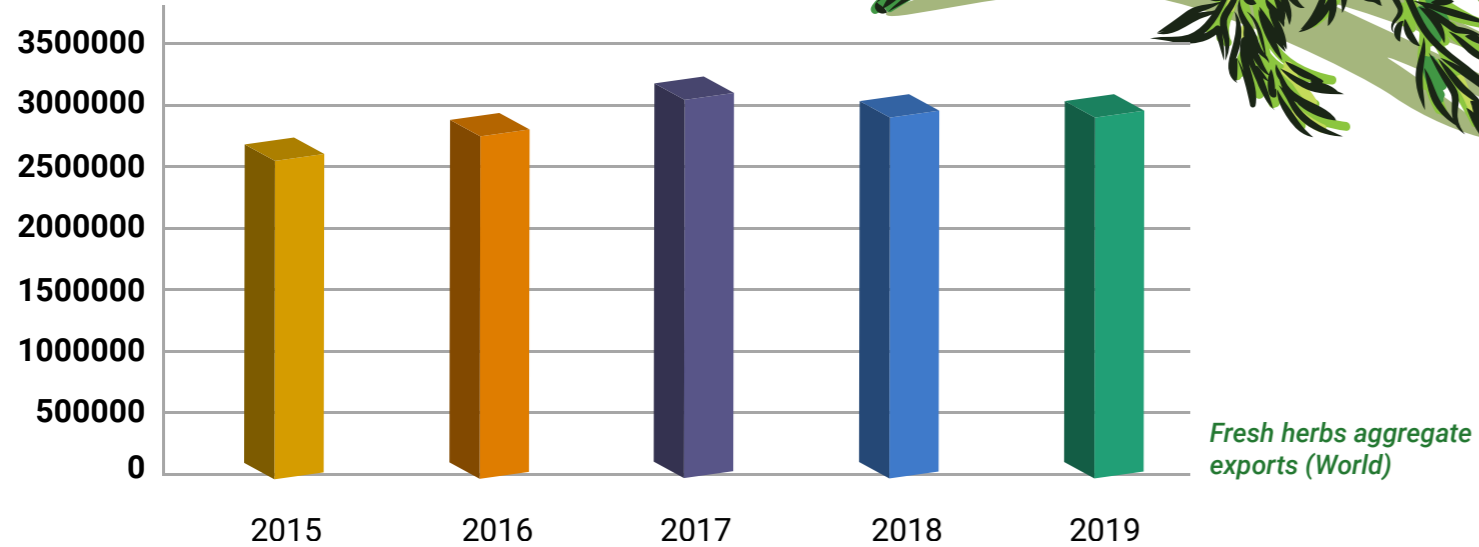
| Exporters                       | Exported value in 2015 | Exported value in 2016 | Exported value in 2017 | Exported value in 2018 | Exported value in 2019 |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>World</b>                    | <b>2,582,574.00</b>    | <b>2,637,009.00</b>    | <b>2,680,082.00</b>    | <b>2,776,611.00</b>    | <b>2,788,268.00</b>    |
| China                           | 902,809.00             | 882,389.00             | 824,933.00             | 689,005.00             | 754,724.00             |
| <b>India</b>                    | <b>237,786.00</b>      | <b>259,300.00</b>      | <b>291,736.00</b>      | <b>307,845.00</b>      | <b>286,864.00</b>      |
| Germany                         | 149,997.00             | 150,638.00             | 173,510.00             | 189,882.00             | 184,445.00             |
| <b>United States of America</b> | <b>84,024.00</b>       | <b>111,815.00</b>      | <b>114,577.00</b>      | <b>133,474.00</b>      | <b>127,815.00</b>      |
| Spain                           | 69,165.00              | 81,900.00              | 86,758.00              | 87,969.00              | 102,623.00             |
| <b>Indonesia</b>                | <b>21,840.00</b>       | <b>20,461.00</b>       | <b>27,183.00</b>       | <b>40,434.00</b>       | <b>100,702.00</b>      |
| Poland                          | 59,758.00              | 56,834.00              | 61,768.00              | 84,045.00              | 87,671.00              |
| <b>Egypt</b>                    | <b>118,720.00</b>      | <b>119,107.00</b>      | <b>114,403.00</b>      | <b>110,497.00</b>      | <b>78,281.00</b>       |
| Morocco                         | 40,627.00              | 41,466.00              | 49,817.00              | 62,407.00              | 63,930.00              |
| <b>Mexico</b>                   | <b>56,720.00</b>       | <b>61,290.00</b>       | <b>72,879.00</b>       | <b>80,174.00</b>       | <b>56,648.00</b>       |

Table: World export trend HS 121190

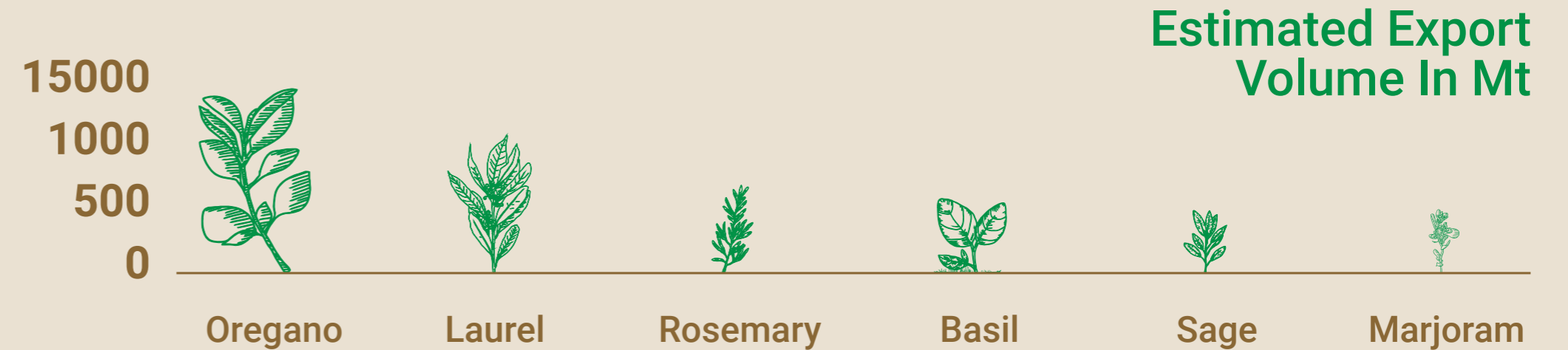
### Fresh Herbs

The global fresh herbs market was estimated to be 3 billion USD in 2019 as per ITC data as reported under HS 070999. It is to be noted that market for some herbs like Thyme and Bay leaves are reported in aggregate with spices under HS code 091099 whereas that of Chives are reported under 070390 in aggregate with leeks and other vegetable. The top three exporting countries are Italy, the Netherlands and China with global export share of 37.4%. On the other hand, USA, Germany and United Kingdom are the leading importing countries. These countries together imported over 4 billion USD worth of products; equivalent to 30.2% of the global fresh herb export between 2015 and 2019.

The global fresh herbs market was estimated to be **3 BILLION USD IN 2019**

Another report by the world spice conference in 2012 indicated an overall trading volume of six major herbs depicted in the graph below to be around 40,000MT. The report also indicated that while the EU dominates import of Marjoram, Basil and Rosemary; North America takes the lion's share of imports for Sage, Rosemary and Oregano herbs.





## 3 Essential Oil 3.1 Market Prospect

The global essential oil market was estimated to be over USD 9 billion in 2019. The market was projected to grow at a cumulative annual growth rate of 9% in the coming five years and reach 15 billion USD in 2026. The essential oil market is segmented into three different categories: by product, channel and application. The major essential oil market segments by product are: Orange, Eucalyptus, Corn mint, Peppermint, Citronella, Lemon, Lime, Clover leaf, Spearmint, and others. The Orange essential oil leads with annual estimated demand of close to 2 billion per year.

Essential oil application can be classified into four: food and beverage, medical, cleaning and home, and spa and relaxation. The food and beverage segment accounts for over 3 billion annual turnover of the essential oil market.<sup>4</sup>The addition of essential oils to food products not only enhances the sensory characteristics but also increases the shelf-life and storage stability of a variety of edibles. Flavors and fragrances application utilizes significant quantities of these oils in the global marketplace. The application spectrum of essential oils is further expected to expand based on the reported anti-toxicogenic, anti-parasitic, and insecticidal traits.

<sup>4</sup> <https://www.fiormarkets.com/report/global-essential-oils-market-by-product-orange-eucalyptus-375941.html>

The market was projected to grow at a cumulative annual growth rate of

**9%**  
in the coming  
**5 YEARS**  
reach  
**\$15 billion USD**  
in 2026

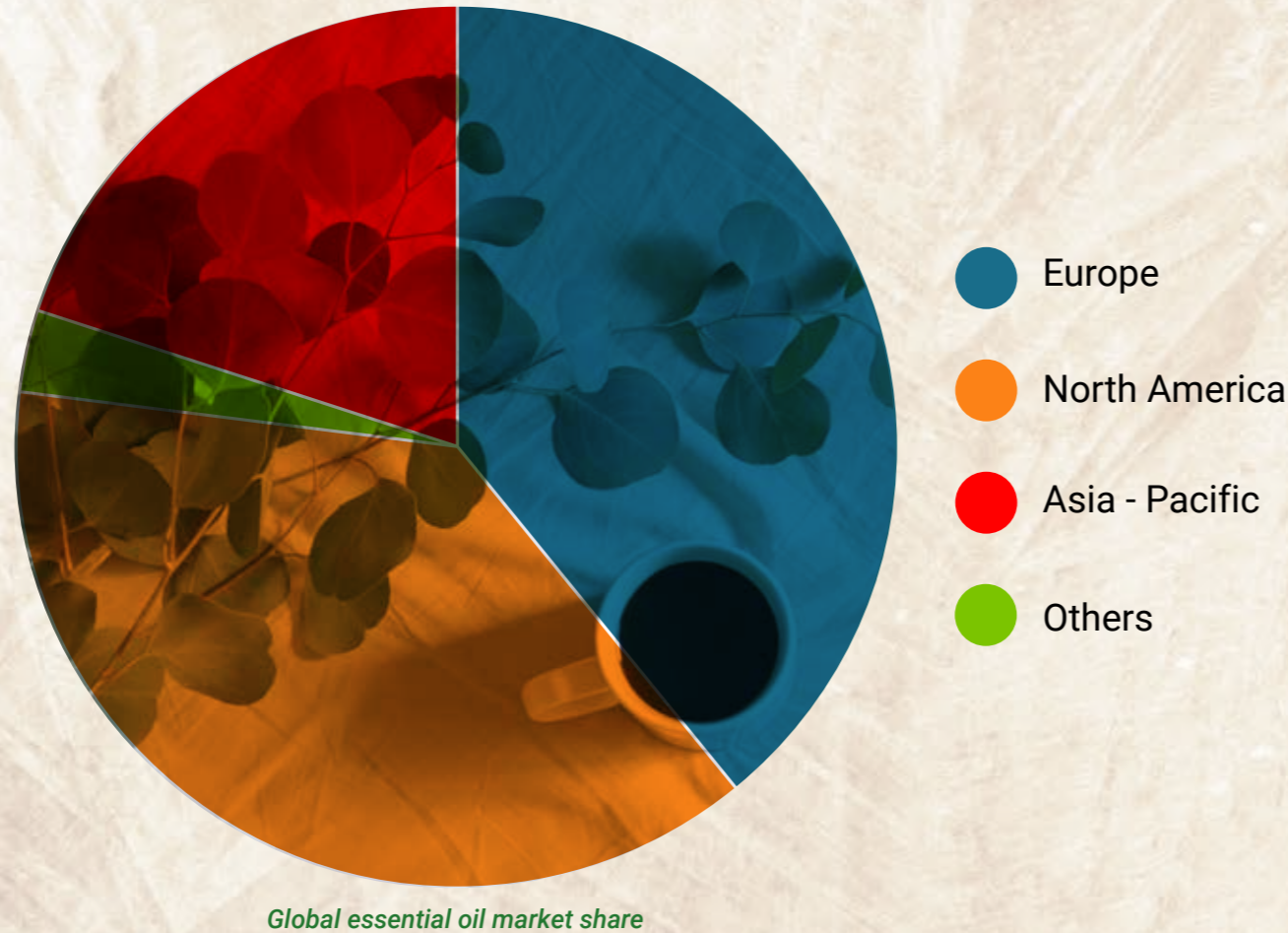
The global essential oil market was estimated to be over  
**USD 9 BILLION**  
IN 2019

The food and beverage segment accounts for over  
**3 BILLION**  
annual turnover of the essential oil market.





Geographically the essential oil market is divided into four categories- Europe, North America, South America, Asia and Pacific and Africa and Middle East. Some of the top essential oils traded in the world market are Orange, Lemon, Lavender, and essential oils of mint. Different parts of the world are popular for different types of essential oils extracts; for example, North African countries such as Egypt and Morocco are known for their production of Lavender, Rosemary, and Chamomile to mention a few, while countries like Brazil are known for their Orange essential oil production.



### 3.2 Import and Export Overview

Annual export volume and value of essential oil export in 2019 was estimated to be 6.2 billion USD. The most dominant essential oil exported in 2019 were mint (USD 1.2 billion), Orange (USD 540 Million) and Lemon (USD 481 million). Overall export value and volume have increased by 27% from 2015. An overview of the ITC export and import data reveal that India, United States and the United Arab Emirates were the top exporters in 2019 with UAE showing a dramatic increase from previous years and coming up to the top of the list. On the other hand, United States, France, Germany and the Netherlands were the top five importers.

Annual import by essential oil by the EU is estimated to be close to 2 billion and the market has shown an increase of over USD 250 million from 2015. From the EU, France is the leading importer followed by Germany, UK and the Netherlands. Most of the EU countries are also major exporters of essential oil. The overall annual export value of essential oil from EU in 2019 was about 1.7 billion.

Annual export volume and value of essential oil export in 2019 was estimated to be

# 6.2 billion USD



**USD 1.2 Billion**



**USD 540 Million**



**USD 481 Million**

*The most dominant essential oil exported in 2019*



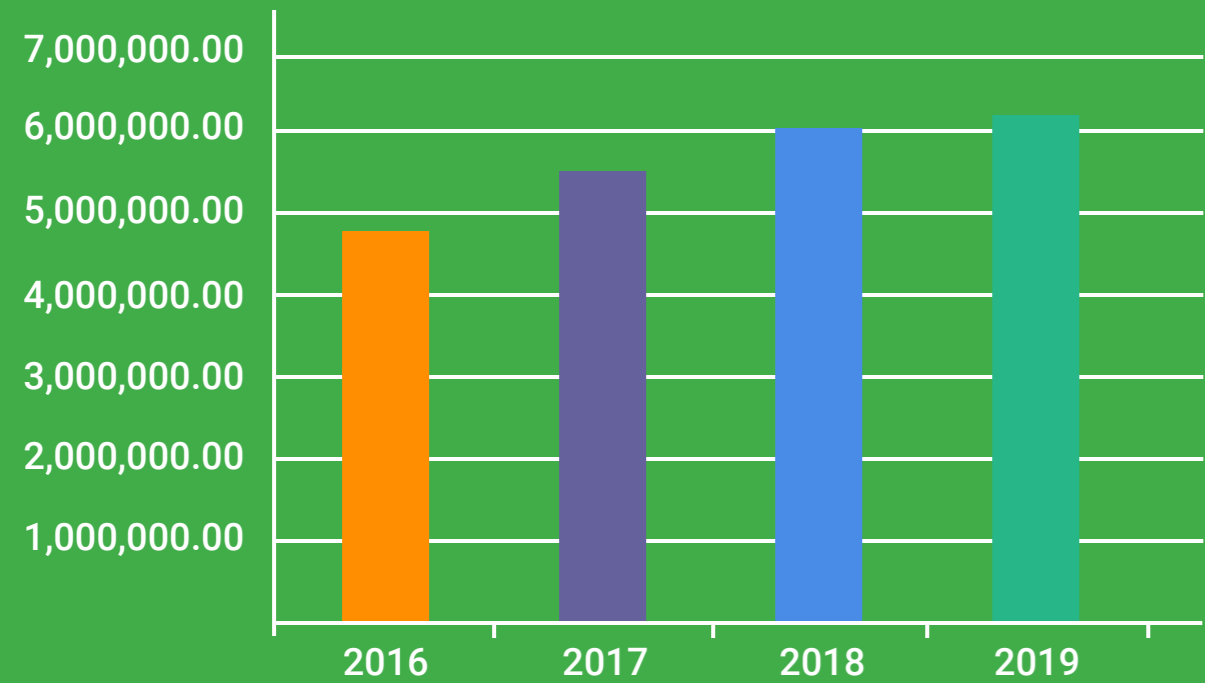


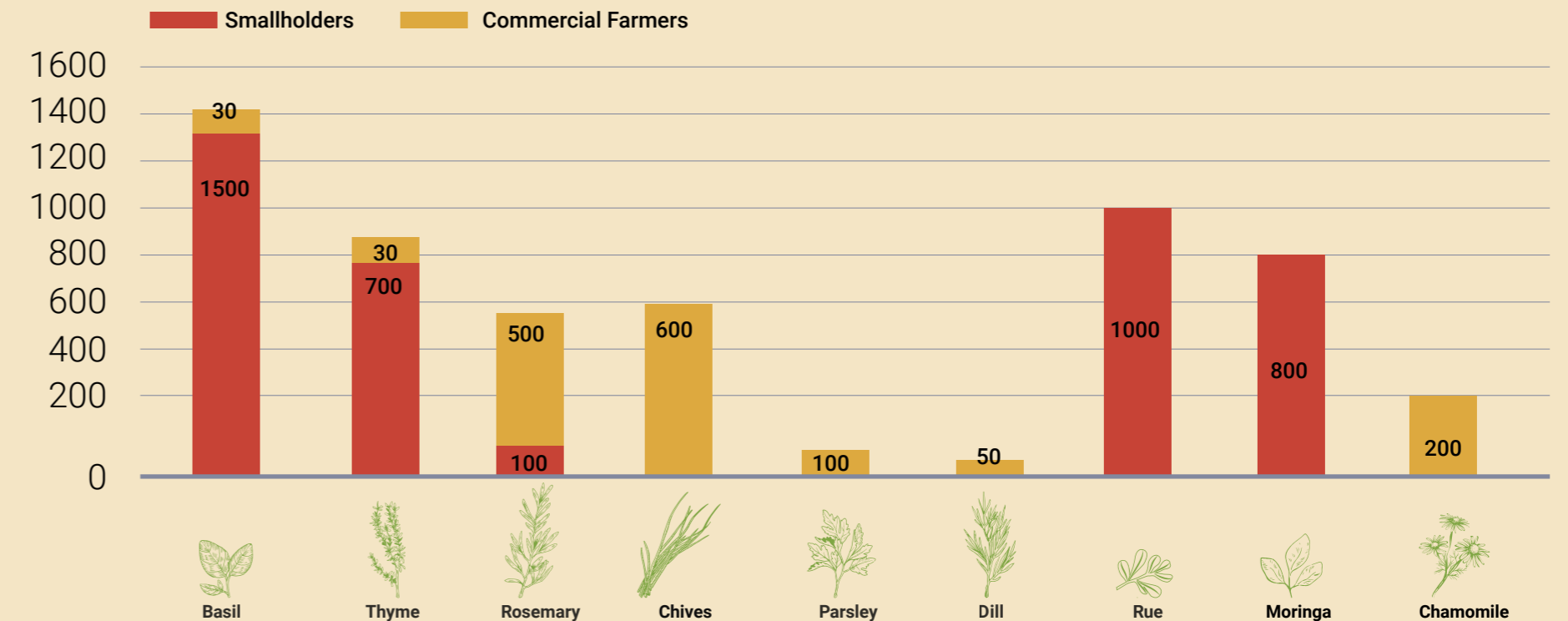
Figure: ITC World HS 3301 trend

The total essential oil exported from Africa is estimated to be USD 275 million for 2019. Based on data from ITC, top African exporters for essential oils have been Madagascar, Egypt, and South Africa. Ethiopia ranks 8th place from Africa, with a notable export amount only in the year 2019. An overview of different essential oils exported from Africa reveal that citrus fruit oils, Orange and Lemon are the principal oils from the continent.

# 4 Ethiopia Herbs and Essential Oil

## 4.1 Herbs production

Concrete data on the annual volume and area coverage of herbs in Ethiopia is not available. However, the Ethiopian Agricultural Research Institute indicated that a total of 134,541 ha of land has been covered by herbs in 2015 in the three major regions of the country: Amhara, Oromia and SNNPR. The total annual production volume is estimated to be over 10,000MT. However, this figure should not be over emphasized as the bulk of herbs are often grown in the wild with no proper harvesting practices. Besides major herbs like basil produced by smallholder farmers are primarily local varieties often used for the domestic spice industry. Different reports noted that Ethiopia has 23 commercially traded culinary/aromatic herbs and over 800 medicinal herbs. The table below gives an overview of the top seven commonly produced herbs in the country with estimated production per year as extracted from different sources. It is to be noted that the above data is a rough estimate based on discussion with references to documents, companies and experts within the sector and hence variations might exist.



Herbs production by smallholder & commercial farms (in MT)

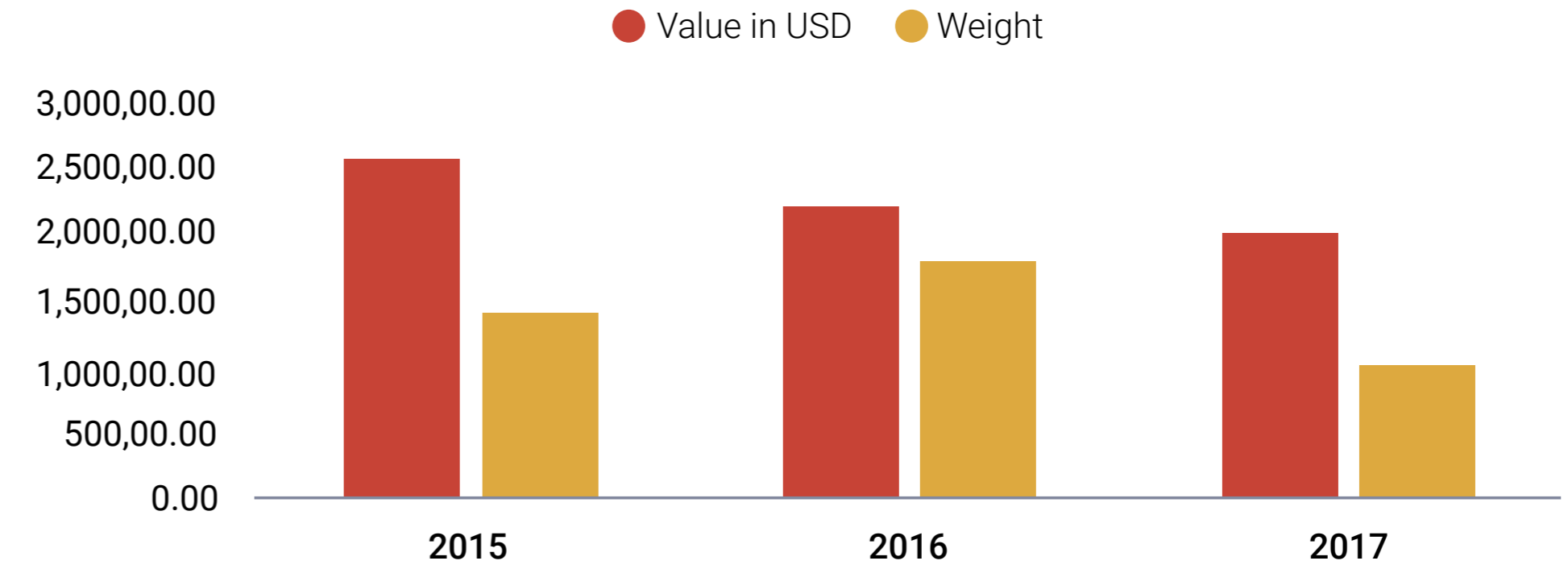




Herb production in Ethiopia is both by smallholder and commercial farmers (also as stated in the chart above). The small scale farming is mainly a backyard production system with average holding of less than 0.05 ha per household. The most commonly produced herbs by smallholder farmers are Basil (local variety), Rosemary and Rue. On the other hand, herbs like Thyme largely grow in the wild mainly in the highland areas. The commercial farmers of herbs are limited in number; to mention a few, four of the major commercial herbs growers in Ethiopia are Joy Tech, Ethio-Agriceft, Green Mark, and Green Path (to a smaller extent). The four companies have established a track record of production and export or domestic processing of herbs. In addition, Damascenes is engaged in out grower schemes in Keffa zone.

## 4.2 Herbs Export

The Ethiopian Revenue and Customs Authority data seems inconsistent in using a defined harmonized code for herbs. According to the available data for 2015-17, Ethiopia exported 4000 MTs and generated close to 7 million USD worth of herbs. The ITC data places Ethiopia as the 8th major exporter of herbs from Africa. The overall export value seems to have declined from USD2.6 million in 2015 to 2 million USD in 2017. An overview of data also indicated that the major export herbs from Ethiopia are Chives, Basil and Rosemary. Most of the export currently is coming from commercial farmers but a number of evidences suggest that the country has a solid export potential particularly for dry herbs from smallholder farmers. The company named Damascenes is currently working with 500 smallholder farmers in Keffa and Bench-Sheka zones of SNNPR region. As will be stated in the sections below, export of herbs to high end markets (Europe) are supplied by commercial farmers but herbs from smallholder farmers (Rue, Ariti, Rosemary etc.) are supplied to the regional markets like Djibouti, Somalia and Middle East to some extent.



The top five export destinations for Ethiopian herbs are-United Kingdom, the Netherlands, Germany, Belgium and the Russian Federation. The overall herbs export to the EU accounts for over 95% of the national export portfolio. A discussion with companies indicated that Ethiopia competes with suppliers from Kenya, Egypt and Tanzania. As per the information from the companies the major importers are from Spain, Italy and Eastern European countries. However, most of these companies have seasonality and dominate the market during the summer season. The fresh herbs suppliers have Global GAP certifications and others required by individual supermarket chains-example TESCO.



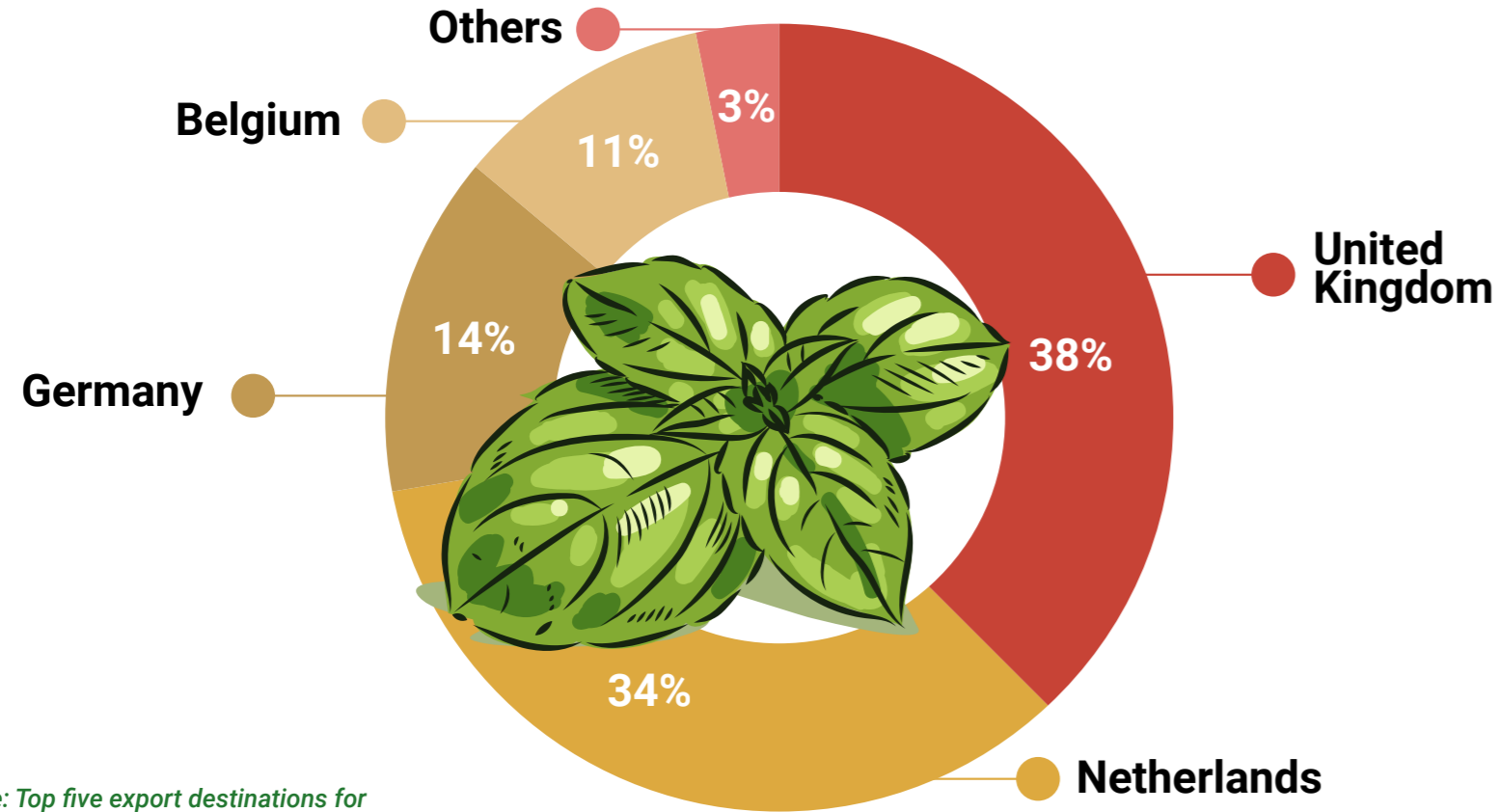


Table: Top five export destinations for Ethiopian Herbs

### 4.3 Processing and Export of Essential Oil

#### Processing of Essential Oil

According to Ethiopian Institute of Agricultural Research, the local demand for essential oils was estimated to be 1800 tons. The report also indicated that the demand for essential oils and odoriferous substances has increased fourfold between 1997 and 2011. The market at that time was estimated to grow at a 14% CAGR. The major essential oils extracted in Ethiopia are from Eucalyptus, Lemongrass, Mint and Rosemary. In addition, there is one company, Terra PLC that extracts Rose oil primarily for a German company.

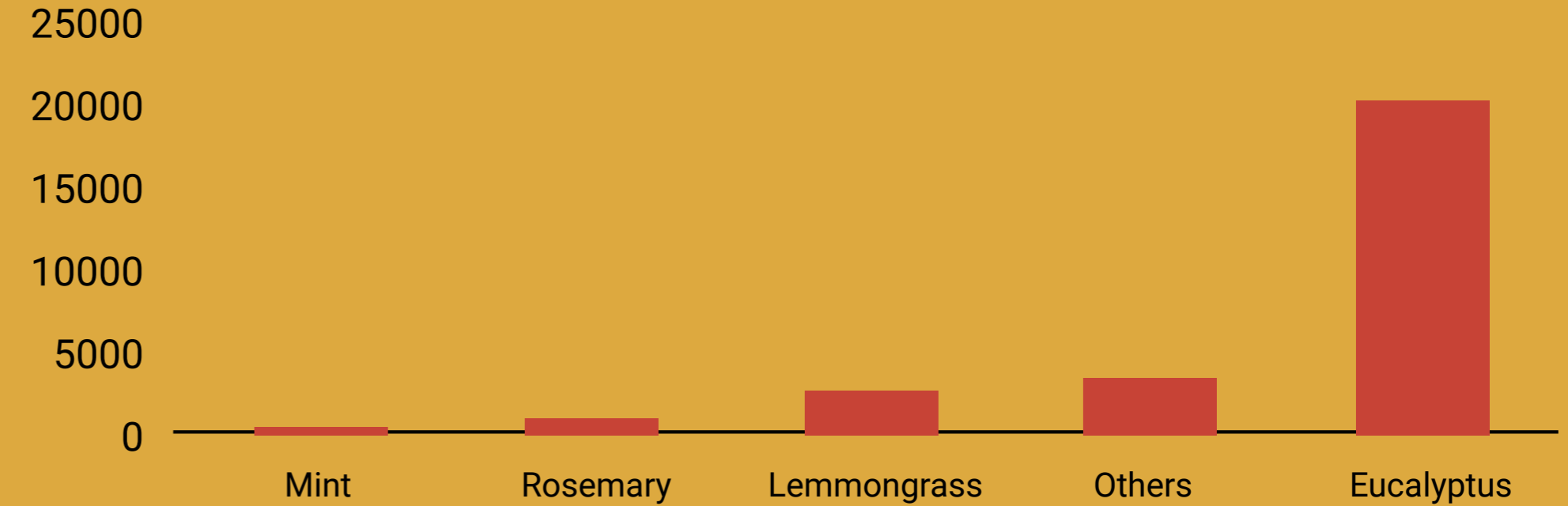


Table: Major exported essential oils and their volume

Experts indicated that there are over 20 essential oil extractors in Ethiopia but most of them are very small. The major extractors: Damascenes, Ariti, Terra Plc, and Fana Farmers' Cooperative Union. In the past, bigger organizations like Upper Awash Agro Industry used to extract Orange essential oil but the company stopped operation some years back due to technical challenges. It is very hard to estimate the total processing capacity of the local manufacturing but evidences suggest that Terra PLC, Ariti Herbal and Damascenes play a major role in the industry.

## Export of Essential Oil

Ethiopia exported 1230 kg of essential oils and earned a little more than US\$50thousand between 2015 and 2017. The overall export volume has been unstable in the years in discussion. A report by ITC in 2019 indicated that the country earned 3.2 million USD. A discussion with Terra PLC indicated that the supply primarily to the German Market. On the other hand, evidences suggest that Ariti Herbal also export to a smaller extent to EU and North America. Otherwise the local production is primary meant for domestic market. The data from ERCA also revealed that the country still imported over 90,000 kg of essential oil in 2017 and the overall trend has been increasing (see table below).

| Year | Volume (kg) | Value (USD)  |
|------|-------------|--------------|
| 2015 | 51,107.89   | 534,661.66   |
| 2016 | 87,254.34   | 1,013,377.90 |
| 2017 | 91,468.99   | 701,488.36   |

*Ethiopia Essential oils import (ERCA)*

# 5 Opportunities and Challenges

## 5.1 Opportunities

### Increasing Global Demand

As stated in the previous sections, the overall market for both sectors is growing by close to 10% per annum. Besides the overall global prices per kg for many herbs and essential oils is increasing over time; this has positive implications on the herbs and essential sectors of Ethiopia. First the increasing domestic and international demand could serve as a market pull for the highly fragmented and small scale oriented production. Second, there is also increasing interest in commercial farming of herbs mainly from flower companies and essential oil extractors to secure their raw material. The company named Joy Tech is a good example that turned its flower farms into herbs growing sites. Similarly, other companies such as Green Mark Herbs are increasing their scale of herb production. Green Path Agro Industry and Damascenes are two other companies actively working with smallholder farmers to secure their input.

**BOTH SECTORS IS  
GROWING BY CLOSE TO  
10%  
PER ANNUM**

### Strong Domestic Market

Some herbs like Basil, Rosemary, Thyme, Peppermint and Chamomile are widely used for cooking, aromatic and medicinal purpose. Recently, major supermarkets in Addis are shelving herbs like Chives, Basil, Rosemary, and Peppermint. When it comes to the essential oil market the domestic demand for is estimated to be 5-7 million USD/year. The major demand for such products comes from the high-end hotels and spas. The strong domestic market will have two major advantages for the overall revival of the sectors (1) provides alternative market in case of international market failure (2) stimulates new investment in production, processing and marketing. However, it can also also directly compete with international market that requires serious investment in quality and hence most producers could be lenient as the alternative is easier to capture.

**ESSENTIAL OIL DOMESTIC  
DEMAND FOR IS ESTIMATED  
TO BE  
5-7 million  
USD/year**



## Cost and Niche Market Advantage

Though few in number, Ethiopian herbs exporters are well embedded within the EU market. A discussion with the exporters indicated that the Ethiopian herbs exporters have solid market particularly during the European winter where supply from Spain, Italy and Greek as well as some Eastern European countries is limited. Currently the two established exporters of herbs to the EU have full certification schemes that meet strong EU quality requirements. According to the companies the major competition for the Ethiopian herbs export comes from other African and Latin American countries such as Kenya, Egypt and Argentina. However, a discussion with some essential oil extractors indicated the quality of Ethiopian essential oils was found to not fulfill the requirements. As such, the country needs to work on improving the quality aspect.

## Potential Production and Herbal Culture

Ethiopia has high bio-diversity and diverse agro-ecology that makes it home to a range of plant and animal species. A number of evidences indicate that Ethiopia is the 12th ranking center of origin/diversity for domesticated plants and their relative wild plants and the 25th bio-diverse country in general. The country has over 18 agro-ecological zones that are suitable to grow any types of herbs. The Ethiopian Agricultural Research institute is conducting various researches in different zones: H1 (Hot to warm Humid lowlands), H2 (Tepid to cool humid mid highlands), and SM2 (Tepid to cool Sub-moist mid highlands). Production of herbs currently is primarily rain fed. However, opportunities exist to scale-up irrigated production in different parts of the country.

Eighty percent of the Ethiopian people depend on traditional medicine for their health care, and more than 95% of traditional medicinal preparations in Ethiopia are made from plant origin. There are about 800 medicinal plant species that are currently used by the Ethiopian people. The majority of the medicinal plants are herbs, followed by shrubs and trees. Twenty-four medicinal plant species are endemic to Ethiopia. Most of the medicinal plant species are found in the wild and therefore, the threats and trends are similar to those of the forest plant species (EBI webpage: <http://www.ebi.gov.et/>)

## Increasing Research Attention

The Ethiopian Agricultural Research Institute and its allies have developed and released 26 varieties of herbs along with improved management practices. Wondogenet Agricultural Research Center is the center of excellence for herbs but in addition other research centers such as Debre Zeit (DZARC), Holetta (HARC), Melkassa (MARC), Tapi (TARC), Mehoni (MhARC), Assosa (AARC), Werer (WARC), National Agricultural Biotechnology Research Centre (NABRC), and Ambo Plant Protection Research Centre (APPRC) are involved in MAPs research. Currently, there is passive collaboration among research centers and the coordination lacks proper enforcement mechanisms. The centers and their testing sites do not cover the major and potential MAPs growing agro-ecologies of the country.



## 5.2 Challenges

### Limited Agricultural Extension and Coordination

Herbs and Aromatic plants are not part of the mainstream national agricultural extension system that mainly focuses on cereals, pulses and oilseed and coffee and tea. Likewise, the traditionally strong herbal medicine sector of the country has dwindled over a period of time due to lack of knowledge transfer from generation to generation. The Ministry of Health still acknowledges the herbal medicine sector and the majority of the people in Ethiopia depend on herbal medicine but the overall attention given to protect, upscale and modernize the herbal sector has been limited. In relation to the agriculture and extension, herbs and essential oil are merged with spices under the National Coffee, Tea and Spices Authority.

Likewise, there are three private sector associations that claim to have links with herbs-Ethiopian Spices, Herbs, Aromatic Growers and Processors Association, Ethiopian Horticulture Producers and Exporters Association and Ethiopian Pulses Oilseed and Spice Exporters Association. The overall effect of these is to shadow the potential of the sector.

### Fragmented Production

The bulk majority of herbs are produced by smallholder farmers or harvested from the wild. High fragmentation of production has three major implications on (1) quality (2) quantity (3) cost. Collecting and aggregating marketable volume becomes a tedious and expensive job. Besides with differing management practices and attentions paid to quality, getting consistent quality of herbs becomes difficult.

Likewise, the existing essential oil extraction is highly based on cottage industries and less skilled manpower with limited knowledge of standard and quality parameters. This makes it difficult to penetrate the international market on a big scale. However, it should be noted that these problems don't apply to commercial farmers of herbs who have a scale and maintain quality when it comes to the requirements of the markets they serve.

### Market Irregularity

The commercial farmers of herbs are situated close to Addis Ababa and major cities. The farmers have their own market links to the mainstream market in the cities and export. However, the trading of herbs from smallholder farmers is dominated by few informal traders who have the link to the market. In many cases the smallholder farmers don't have market within their vicinity that can absorb their produce during the rainy season where fresh herb supply is in excess. The market saturation during the rainy season often leads to a serious fall in price up to the point where there is no buyer at all. On the other hand, the practice of growing herbs using irrigation systems by smallholder farmers is limited. This coupled with the lack of local drying and storage facilities means that farmers rarely benefit from their herbs and hence are discouraged to grow them.

### Limited Processing

The essential oil extraction is mostly dominated by cottage industries who have limited production capacity and quality orientation. Similarly, herbal tea processing is limited to companies such as Ethio-Agriceft that have their own production facilities and limited linkage with smallholder farmers. The limited processing facility added to the market irregularity has two major challenges for the Ethiopian herbs and essential oil sector. First the farmers growing herbs will not have a sustainable and remunerative market year round and high price falls during the rainy season as the farmers don't have enough market. Second the opportunity of drying to sell off season is also constrained by the limited drying facility and extension support to farmers.



## 6 Opportunities for CBI to Engage

### 6.1 Overall recommendation

One can understand that the Ethiopian Herbs and Essential oil sectors have positive prospects. However; a closer look at the existing industry imperatives and the key players indicate that the most promising export business opportunity lies with commercial herb growers. The herbs currently supplied by smallholder farmers don't generally conform to the international market quality. In addition, consistency of supply is not guaranteed and hence; it is important to invest on production ahead of market. Likewise, the essential oil sector seems highly oriented to the local market but there are two companies that have export track record and hence they offer opportunity to partner for scaling-up. However, it can be a long shot to intervene in the essential oils sector considering the critical bottleneck hindering its development.

### 6.2 Specific Investment opportunities for CBI Improve Ethiopian Exporters competitiveness

As stated earlier, Ethiopian Commercial Herb growers are struggling to get best market and price during the European summer season where production from Spain, Italy and Greek is high. The exporters indicated that during this period; though Ethiopian herbs possess similar quality with those from Southern Europe, the former struggles to fetch good prices and even get a market. As such, any support in the form of tangible knowledge and assistance to get alternative markets during this period would give them a strong leverage to grow and sell year round.

#### Facilitating Direct Market Access Opportunities

Currently the Ethiopian growers are supplying to middle men in EU. Though the farmers understand the rationale of having EU based traders who coordinate supply to the supermarkets and other chains worldwide, the existing chain and distribution of value across this seems unfair. The exporters indicated that a kilo of Rosemary often sells at over 100% value difference between the farm and supermarket. Given the strong connection and knowledge of CBI about EU market, facilitating access to better paying markets within the continent and ways that boost the long term business relationship between the growers in Ethiopia and major buyers in Ethiopia including facilitating on forward contracts is deemed important.

### Sector Strategies for Essential Oil

The essential oil sector has many actors involved. As stated above, the potential for domestic as well as export market are tangible. However, the capacity of existing players to meet the strong EU quality requirements doesn't seem plausible. Besides there is high fragmentation of the current input supply system. CBI could play two important contributions here: assisting the development of sector strategy that could help the government to pay attention to the sector and creating the awareness about the prospect through exposure. In addition, it can also be noted that possibilities to link the relatively better extractors to EU buyers still is something that could be given a try. Besides, building the capacities of local extractors to meet the EU quality standards is something that can be considered.

### Investment Opportunities

Both the herbal and essential oil sectors of Ethiopia have not been sufficiently promoted. Attracting potential investment from EU could be one of the areas where CBI could assist. One can note that investments that aim at creating a linkage with smallholder farmers could make a lasting impact. In this regard, it can be noted that the country has strong potential for investment in agriculture and industry with good climate, cheap labor and strong logistics linkage with EU via Ethiopian Airlines.





**CBI**  
*Ministry of Foreign Affairs*

**Commissioned by:**

Center for Promotion of Imports from Developing Countries (CBI)  
The Hague, the Netherlands  
[www.cbi.eu](http://www.cbi.eu)



**Prepared by:**

Shayashone (SYS PLC)  
Addis Ababa, Ethiopia  
[www.shayashone.com](http://www.shayashone.com)