

Sesame Business Network Newsletter



Special issue 'From the first to the second phase'

Greetings to the stakeholders of the Ethiopian Sesame Business Network, partners and all our readers!

We are glad to share with you this special issue of the SBN newsletter, which marks the transition from the first to the second phase of the Sesame Business Network and its Support Project. In this issue, we highlight the main activities undertaken and results obtained in the past three years and herald the start of the second phase of the Support Project as per January 2016.

As many have witnessed, the SBN, a network of Ethiopian sesame sector stakeholders and their partners, is much stronger now than it was three years ago. In particular, a lot has been done in strengthening the network, improving the productivity and quality of sesame and reducing harvest, transport and storage losses. As much potential is still unrealised, this work at the production side will continue with the aim to further scale the adoption of the '20 Steps' to improve yields and quality of sesame. Although much preparatory work has been done, the second phase proposes to give much more attention to financing sesame value chains, in-country value addition and market linkages and sales. In this issue we will briefly cover the major activities and results of the first phase under the five pillars and highlight strategic orientations for the second phase.

We take this opportunity to thank all the stakeholders and partners who have been working with us to strengthen the network and develop more competitive, sustainable and inclusive sesame value chains. One of the major lessons learned during the first phase is that collaboration among stakeholders (farmers and their organisations, companies, government and public sector agencies) is essential for success. Together we can join hands to further improve Ethiopia's position as one of the leading sesame producers and exporters in the world, to the benefit of farmers, business operators and as a major sources of national export earnings. We thank you all - stakeholders, SBN Support Programme staff and partners - very much for your trust, commitment and dedication to success and performance.

We hope you will enjoy reading this special issue of our newsletter. For more information, you can visit our website www.sbnethiopia.org; contact us at: sbnethiopia@gmail.com or get in touch with us at Gondar or Humera Agricultural Research Centres, which remain the hosting partners in Amhara and Tigray regions, respectively.

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About this newsletter

The purpose of the SBN newsletter is to provide relevant and timely information on the Sesame Business Network and its Support Programme.

In this special issue we highlight the major results of the first phase (2013–2015) and we look forward to the recently approved second phase (2016–2019).

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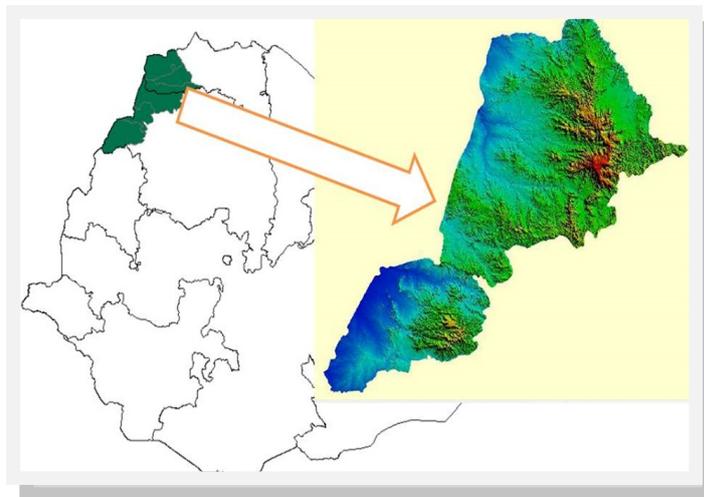
The Sesame Business Network in Northwest Ethiopia

The SBN Support Programme is currently operating in two regions: North Gondar Zone in Amhara (Quara, Metema, Tach Armachiho, Tegede and Mirab Armachiho *woredas*) and Western Tigray Zone (Tsegede, Kafta Humera and Wolkaiet *woredas*). In these *woredas*, about 500,000 hectares, is dedicated to sesame production.

Both Tigray and Amhara have selected sesame as a priority crop for developing Agricultural Commercialisation Clusters (ACC). To align with the delimitation of the Tigray sesame agricultural commercialisation cluster, Tahtay Adyabo *woreda* will become a new intervention area for the SBN Support Project.

In these areas, many stakeholders play an active role: farmers and their organisations, traders, processors and exporters, Agricultural Research Institutes and Centres, Bureaus and Offices of Agriculture, Cooperative Promotion Agencies, Trade Offices, and several public and private banks and Microfinance Institutions.

Building blocks of the SBN are local Sesame Business Clusters (SBCs), which will be sub-clusters of the Amhara and Tigray sesame ACC's. Currently, there are 38 SBCs (18 in North Gondar and 20 in Western Tigray) across 103 *kebeles*.



The SBN Support Programme works with 72 Primary Cooperatives and 5 Cooperative Unions. The scaling out of improved sesame technologies and other support activities targets 70,000 farmers, of which 2,000 are investor farmers. During the production season, more than half a million labourers work in the area of which 325,000 are seasonal migrant labourers.

A new phase of the SBN Support Programme launches in 2016

We are pleased to announce that, starting January 1st 2016, the Support Programme to the Sesame Business Network in northwest Ethiopia will enter a new phase. With funding support of the Netherlands Government, through its Embassy in Addis Ababa, the SBN Support Programme will continue its activities for another four years (2016-2019).

Overall goal and the five major objectives. The goal remains to improve farmers' income and create socio-economic spill over effects for the sesame agribusiness sector. To achieve this, the SBN Support Project will continue working together with stakeholders to achieve five important outcomes: (i) improve productivity and quality; (ii) reduce harvest, transport and storage losses; (iii) improve formal financial services and reduce the costs of credit; (iv) create post-harvest value; and (v) facilitate direct market linkages and sales.

Four service areas. To achieve these outcomes, stakeholders require new and improved knowledge, skills, machineries and tools; forms of organisation and collaboration. The SBN Support Project organises its work in four complementary ways: (1) Innovation development; (2) Capacity development; (3) Scaling and (4) Network and policy development.

BENEFIT. In its next phase, the SBN Support Project will intensify collaboration with other projects in order to improve coordination and synergy. The SBN Support Project is one of the four projects that collaborate under a new partnership known as BENEFIT, which stands for 'Bilateral Ethiopia-Netherlands Effort for Food, Income and Trade'. The other three projects are CASCAPE (Capacity Building for Scaling Up of Evidence-Based Best Practices in Agricultural Production), ISSD Ethiopia (Integrated Seed Sector Development in Ethiopia) and ENTAG (Ethiopian-Netherlands Trade Facility for Agribusiness). Working together on specific product and place combinations, like sesame in northwest Ethiopia for example, the partnership will increase effectiveness through an integrated value chain approach. Whilst ISSD Ethiopia and CASCAPE focus their attention on seeds, other inputs and best agricultural practices, ENTAG looks more at entrepreneurship, marketing and commercial relations, thereby complementing the SBN at both the production and market sides of sesame value chains.

In addition to this collaborative effort, the SBN Support Project seeks to collaborate with other projects and development organisations as well, among others C4C (Cooperatives for Change; SNV and Agriterra), 2-SCALE (IFDC), Common Sense (Alterra and partners), USAID/AGP-made and others.

Major activities and results of the first phase: 2013-2015 under the five pillars

Pillar 1: Productivity and quality improvement

At the outset of the Programme, farmers and stakeholders stressed the importance of improving the productivity and quality of sesame. It was generally felt that yields could double by applying improved sesame production technologies. Taking the farmers demand into account, the SBN Support Programme, together with Amhara and Tigray Region Bureaus of Agriculture, Research Institutes and other partners, has conducted many activities and achieved very encouraging results, which are summarised below.

Packaging improved production technologies. One of the first activities was to bring together existing research and field tested results. This led to the development of a sesame production manual. The recommended agricultural practices were demonstrated in 2013 at 25 sites and showed that it is indeed possible to double yields, that is producing at least 8 quintals per hectare.

'20 Steps' field guide. To popularise the improved sesame production technologies, a field guide was produced entitled "20 important steps to double yield and improve quality of sesame". The guide was translated in Amharic and Tigre and distributed to more than 85,000 farmers and development agents. Because of the clear pictures and easily understandable language, the production guide has been well accepted by farmers and professionals.

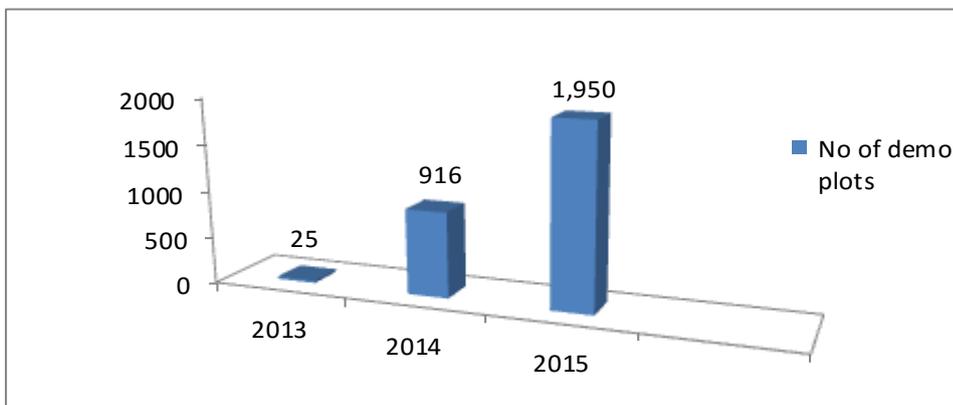
Rolling out the '20 Steps'. In the following two consecutive years, the improved sesame production technologies have been rolled out in North Gondar and Western Tigray zones of northwest Ethiopia. In 2014, demonstration activities were undertaken in 916 plots across 92 *kebeles*. The demonstration plots ranged from 0.25 to 1 hectare. In 2015, the number of demonstration plots doubled: the roll out activities were



undertaken in 1,950 plots across 103 *kebeles* in the eight *woredas*. The size of the demonstration plots ranged from 1 hectare (small scale farmers) to 2.5 hectares (investor farmers).

Training of Trainers (ToT). Before the start of the production seasons of the 2014 and 2015 years, ToT workshops were organised in two steps. First, a core team was trained, composed of agricultural experts, researchers, SBN Support Programme staff members and

representatives from unions. The core team trainees in turn went out to their respective *woredas* and trained farmers and development agents. As shown in the table in the next page 1,084 farmers and development agents were trained in 2014. This number increased to 2,277 in 2015. The local level trainers reached thousands of farmers around model farmers' demonstration plots and Farmer Training Centres in the *kebeles*. ➡



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Number of trainees

Production Year	Model farmers	DAs and others	Total
2013	320	354	674
2014	793	291	1,084
2015	1,768	509	2,277

Field days. Farmers' field days have been organised at *kebele*, *woreda*, zone, region and national levels. Those farmers who did not get the chance to participate in the formal trainings were reached through farmers' field days and informal channels. The field days have been used as platforms in which professionals and farmers exchange ideas about the improved sesame production technologies.

Radio and film. Since May 2014, bi-weekly radio programmes by the name 'White Gold' have been produced and transmitted in both Amharic and Tigre languages. The radio programmes provide

listeners timely and relevant information about sesame production and marketing. The contents of the programmes follow the activities of the production and marketing seasons. In addition, a short movie was produced, showing and explaining the '20 Steps'. The film was used during training of trainers' workshops and was shown to farmers and other stakeholders in many places using mobile cinema.

Crop rotation. Crop rotation is among the critical elements of the '20 Steps'. To avoid mono-cropping and related risks of soil fertility depletion and pests and diseases, four precursor crops for sesame were tested in demonstration plots and farmer training centres (sorghum, soybean, mung bean and cotton). Apart from popularising these rotation crops, efforts have been made to find markets for these crops.

Mechanisation. To address the challenges farmers face from land preparation through planting to harvesting, tractor-mounted and animal-drawn row planters and harvesting machineries have been demonstrated for farmers, with the participation of supplying companies. Among the demonstrated row planters, NARDI pneumatic precision row planters, Baldan seed driller, SFOGGIA precision row planter and prototypes developed by Rhea Composites (Netherlands) and by local engineer Tegegn are some to mention. Likewise, Rumpstad-2-wheel tractor, fertiliser spreader, stable crusher, handheld brush cutters and tractor-mounted sesame harvester were tested and demonstrated at land preparation and harvesting times. These demonstrations helped to acquaint farmers with new technologies and to link suppliers with technology seekers.

Pillar 2: Harvest, transport and storage loss reduction

Field study to determine field level losses. Post-harvest loss is one of the major challenges in the sesame sector. In 2013-2014, a study revealed that field level losses are about 55 kg per hectare (13% of production). Extrapolating this to the 500,000 hectares under sesame, translates into a loss of 277,800 quintals, which in turn translated in a loss of hundreds of millions of ETB. Addressing this challenge therefore contributes to saving an enormous amount of money. This is why harvest, transport and storage losses reduction has become the second pillar of the SBN and its Support Programme.

Documentary. A short documentary entitled "The long road of sesame and the many losses along the way", was produced and has been shown to farmers using mobile cinema. It has also been used during trainings. The documentary helped to bring the enormous amount of loss that occurs due to the poor post-harvest management methods into the attention of farmers and stakeholders.



Hilla drying on plastic sheet

Simple field level solutions introduced. Several solutions have been suggested as options to reduce the losses; these are part of the recommended practices in the '20 Steps' guide. The following simple but important practices have

been introduced: the use of quality seeds, making larger *hilla*s in one place, employing permeable plastic sheets for *hilla* stacking and using improved and new bagging materials. Farmers were made to see these practices during ➡

trainings and field days. Recommendations for the use of plastic sheets and new bagging practices are still under verification. In 2015, different types of permeable plastic sheets have been tested in farmer training centres. This will allow for identifying their value in terms of reducing the amount of sesame lost and additional income generated. Other points of attention are the piercing of bags to check the quality of sesame at spot markets, the use of hermetic bagging technologies. Once the technologies are consolidated, the SBN Support Project support the linkages between users and sellers.



Sesame loss during transportation

Quality matters. Improved practices such as the use of quality seeds, plastic sheets for *hilla* drying and threshing, hermetic bagging and storage devices will not only help protect the sesame losses but they will also contribute to sesame quality improvement and compliance to international food safety standards, which is a point of concern for most international buyers.

Tracking of adoption and profitability. A considerable number of farmers have adopted many of the '20 Steps'. Preliminary observations show that improved practices such as utilisation of quality seed (Abasena, Humera 1 and Setit 1), fertiliser application, two-three times weeding, pest scouting, preparation of drying spots, *hilla* stacking and drying, on plastic sheet etc. have been well adopted.

All in all, the '20 Steps' guide, trainings and extension materials, demonstration of new technologies and practices and

the trainings contributed to change farmers' awareness of field level agricultural practices and post-harvest management. The results obtained in 2013, 2014 and 2015 vary. In 2013 (good rainfall) the results on 25 sites showed that yields can double from 4 to 8 quintals. The 2014 season was marked by heavy rain at the end of the season, which affected all sites. The demonstration plots did however perform much better than surrounding plots with conventional practices. The

results of 2015, marked by a late start of the rainy season, are still under analysis, but preliminary results show again that the '20 Steps' plots significantly perform better than conventional practices. These results give increased confidence that the recommended agricultural practices lead to much better yields under different weather conditions. During the second phase, the technical and economic performance of the '20 Steps' will be carefully monitored under farmers management.

Pillar 3: Credit cost reduction

In almost all the workshops and meetings that were organised in the past few years, finance has been mentioned as one of the key challenges in the Ethiopian sesame sector. During the first phase, several preparatory activities have been conducted. The challenge of the second phase is to really implement solutions to address this burning issue.

Production and credit cost study. In order to get to grips with the financing challenges, the SBN Support Programme conducted an in-depth production and credit cost study among close to 500 sesame farmers. This allowed to determine the current sources of credit and prevailing interest rates. The study revealed that most sesame farmers rely on informal moneylenders, especially for covering the costs of weeding and harvesting. In Amhara more than 60% and in Tigray more than 25% of the credit is coming from the informal sector. This is because formal financial institutions such as public and private banks, microfinance institutions, primary cooperatives, and saving and credit cooperatives do not provide the required amount of money for sesame producers.

The interest rates of formal and informal credit providers vary significantly; on an annual basis these rates are the following: Banks (10.5%); MFIs (18%);

primary cooperatives (31%), relatives (49%), friends (76%), SACCOs (176%) and informal moneylenders (259%). On average, small-scale farmers pay 569 ETB (Amhara) and 385 ETB (Tigray) for every 1,000 ETB borrowed. This affects farmers enormously. High credit costs significantly increase production costs and hence seriously diminish the net income of farmers. Reducing credit costs is thus of prime importance for reducing production costs and improve competitiveness of the Ethiopian sesame sector.

The results of the study were communicated to the SBN stakeholders, partners and decision makers during different regional and national meetings. The full report is available at the SBN website. Analysing the study results show that an additional 400 million ETB (around 19 million Euro) is required to replace informal credit by formal credit. The financing of improved agricultural practices also requires significant financial services →



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to farmers. There are thus huge opportunities for formal credit providers to extend and adapt their financial services for the sesame agribusiness sector.

Manage your farm - manage your pocket.

The SBN Support Programme has started to design different activities that could help resolve the challenges. A basic cost-benefit analysis tool (Manage your farm- manage your pocket) was introduced to 121 farmers spread over the 8 *woredas*. These farmers have been trained and coached to record their costs so that they can calculate their financial results at the end of the production and marketing season.

Financing sesame value chains in Ethiopia.

The SBN Support Programme, in collaboration with Terrafina Micro Finance (TMF) and Rabobank International Advisory Services (RIAS) sets out to more structurally address the rural finance challenges during the second phase of the project. In October 2015, a workshop was organised on 'financial services for sesame value chains'. The objectives of the workshop were to: update information on the current situation regarding financing the sesame sector and value chains; introduce RIAS and TMF and their experiences; create common ground among sesame sector stakeholders to address the key challenges related to financial services for sesame value chains. Clients of fi-

ancial service providers, which mainly includes small and large scale farmers and their organisations (mainly farmers) expressed their demands for input and output finance. Another key question was what farmers, financial service providers and Government can do better or differently. After the workshop, RIAS and TMF had meetings and in-depth discussions with a broad range of stakeholders. A comprehensive action plan is expected in the coming month and a subsequent action planning workshop will be organised in the first quarter of 2016. This will mark the start of more strategic and operational attention for addressing the access to finance and credit cost challenges during the second phase of the SBN Support Programme.

Pillar 4: Post-harvest value creation

Ready to do more. The role that the SBN Support Programme plays in in-country value addition has thus far been quite limited. The major reasons are that Ethiopia mainly exports bulk sesame that has hardly undergone value adding activities; domestic consumption of sesame is limited and the SBN Support Programme cannot financially support investments. Preparations have however been made to do more during the next phase, by exploring what is possible in terms of cleaning, grading, colour sorting storage, transport, local processing, traceability and certification.



Traditional oil pressing for the local market

What has been done so far? In the first phase, the following, preparatory activities have been conducted:

- ◆ The Support Programme made inventories of storage practices and capacities; type and number of cleaning machines; colour sorters and locally and internationally available processing machineries. These can serve farmers, investors and processors who consider investing in value adding activities. Here the role of the SBN Support Programme is information brokering.
- ◆ Two micro-scale sesame oil pressers were purchased for demonstration purposes. Market potential for processing sesame will be assessed.

- ◆ Local quality management. In collaboration with Fana Seroka Multipurpose Cooperative, Selam Union and USAID/AGP-AMDe quality improvement measures are piloted. Training on how to measure the quality of sesame (moisture content, foreign matter) was given to individuals drawn from the union and the cooperative.
- ◆ Inventory of sesame quality requirements of different international buyers and markets.
- ◆ Characterisation and profiling of sesame varieties for different markets and end products.
- ◆ Identification of options to implement simple sampling techniques at spot market level.

- ◆ Identification of available certifications and certifiers and interest of farmers and their organisations and buyers to engage in certification trajectories.

Options for post-harvest value addition are strongly related to strategic decisions for positioning Ethiopian sesame in the world market for promotion of value addition for domestic applications, and price incentives that farmers and other entrepreneurs get for supplying higher quality products.

Pillar 5: Market linkages and sales

The current sesame marketing system in Ethiopia is strongly focused on bulk volumes. There are hardly incentives for quality sesame production and marketing. Considering the increasingly competitive market and the comparative advantages of Ethiopia, the Support Programme collects and shares market information and supports the production and marketing of sesame of superior quality. Ethiopia has a comparative advantage because of its highly valued sesame varieties; to turn this into a competitive advantage is the challenge. The following activities have been conducted during the first phase.



Sesame spot market

Monitoring of international and national market prices. Export prices are collected periodically from the National Bank of Ethiopia. ECX prices are collected on a daily basis. Spot market prices have been monitored in collaboration with trade offices. Together with Agriterria a study was conducted on sesame marketing, transaction risks and institutional arrangements. The study helped to identify relative importance of constraints, indicate entry points for intervention in different marketing channels and assist in developing marketing support strategies.

Facilitating international trade. Efforts were made to establish direct buyer-supplier relations between Ethiopian farmers (and their organisations) and buyers in Europe, United States and Israel. SBN staff visited companies in the

Netherlands and in Israel. These efforts did not yet yield to business deals, as buyers were expecting further price decreases. The Kafta Humera Sesame Production and Sales Cooperative visited companies in Israel and has made business deal with three companies (Hamama, Yakob and Shulemo Mola) and exported 8,360 quintals of sesame to Israel.

The Netherlands-African Business Council (NABC) together with SBN Support Programme organised a trade mission. This helped Ethiopian sesame exporters to better know about European market preferences, and European importers to assess Ethiopian conditions. Food safety came out as a major point of attention. A recent effort of visiting Dutch companies led

to some cases of companies being interested in deliveries from Ethiopian farmers' organisations. Companies looking for organic sesame and high quality sesame (for bakery or tahini industry) seem to be the most interested in doing direct business with Ethiopian suppliers. A point of attention here is the rise of other countries in the world market, like Tanzania, Burkina Faso or Nigeria.

Marketing of rotation crops. The adoption of rotation crops is limited as farmers face difficulties bringing these to the market. Options for marketing sorghum and mung bean were explored and may lead to direct market relations. Transport costs are however a limiting factor as they increase costs for buyers.

PERSPECTIVES SECOND PHASE

In justification of the Support Programme's continuation, it is acknowledged that unfinished business remains:

- *Consolidation is needed.* In a relatively short period of time, a number of innovations have been developed, key resource persons trained, and good relations and agreements with key partners established. However, further capacity strengthening and both network and policy development is needed for bringing innovations to scale and sustaining these for years to come.
- *The country still stands a lot to gain.* Farmers can double yields, significantly reduce losses, and reduce credit costs. The formal finance sector has the potential to increase its current credit portfolio with 100%. Post-harvest value creation can increase the competitiveness of the sector in an international market, improve its reputation, and attract higher prices. The country at large stands to gain from doubling exports and foreign currency earnings.
- *High likelihood of return on investment.* The proposed annual budget of the SBN Support Project is less than 0.3% the ECX-traded value of sesame produced in northwest Ethiopia. If the sector stakeholders would achieve the targeted outcomes, turnover would increase by hundreds of millions of euros per year. At 2013–2014 average ECX prices, every 10% increase in sesame productivity represents a value of more than 30 million Euros. We target a 50% increase in productivity above conventional production practices.

The following table summarises the main orientations for the second phase:

Project organisation	<ul style="list-style-type: none"> • SBN project manager based in Addis Ababa, for more linkages at federal level • Collaborate with ENTAG on market-pull and CASCAPE and ISSD Ethiopia on production-push sides • Strengthen focus on economics: including farmer and cooperative entrepreneurship, cost-benefit analyses, return-on-investments, strategic market linkages and development • Diversify collaboration agreements
Production cost price reduction	<ul style="list-style-type: none"> • Focus agronomic innovation on the most critical steps of the recommended agricultural practices: row planting, soil fertility management, organic farming and integrated pest management • Build on emerging consciousness towards improving sesame quality • Give more attention to the economic attractiveness of recommended farming practices • Equip farmers with production costs, net income, cost-benefit and return-on-investment calculations • Involve investors, female and young farmers and farmers' organisations in further roll-out of 20 Steps • Intensify attention on rotation crops, both technical and market-demand issues
Improving formal financial services	<ul style="list-style-type: none"> • Move to professional step-wise approach in strengthening capacity of MFIs, Savings and Credit Cooperatives (SACCOs) and banks • Focus on farmers' financial literacy and savings culture • Assess and improve internal organisation of cooperatives and unions in regards to finance • Mobilise cooperatives and unions resources for creditworthiness • Develop specific financial products for sesame farmers
Product and market development	<ul style="list-style-type: none"> • Adopt a case-by-case approach with entrepreneurs that involve in value addition both for local and international market • Proactively facilitate direct supplier-buyer relations with pre-season orders and specifications • Support sourcing of processors directly from farmers • Support direct export of cooperative unions • Conduct feasibility studies of developing different market segments
Collaboration, ownership and sustainability	<ul style="list-style-type: none"> • Diversify collaboration agreements, both in terms of strategic partners and areas of intervention • Work directly with unions and cooperatives in cluster management • Improve relations with - and involvement of - private sector through national sesame platform • Co-organise thematic meetings and workshops with stakeholders and partners • Promote institutionalisation of networks and platforms

Contact us :

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More information about the SBN and its Support Programme can also be found on the SBN website:

<http://www.sbnethiopia.org>

You can also find us on our facebook page: <https://www.facebook.com/SBNEthiopia>

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