Ethiopia-Netherlands Trade for Agricultural Growth

COVID-19 EFFECTS ON THE ETHIOPIAN POULTRY SECTOR

June 2020

INTRODUCTION

COVID-19 is known to be the global health crisis of the century. Like most countries in the world Ethiopia is currently feeling the pressure of the pandemic. Higher number of cases for COVID-19 is being recorded with the number of infected people increasing daily. To ensure the safety of the society against COVID-19 the government has declared a state of emergency, enforcing precautionary measures to control the spread of the virus. The horrors of the pandemic and the precautionary measures imposed have affected all types of businesses across the country including the poultry industry.

The Ethiopian Poultry sector is considered as one of the priority sectors for development by the Ministry of Agriculture, recognizing its great contribution to food and nutrition security. Before the pandemic, the Ethiopian commercial poultry sector was showing positive growth rate with increasing demand for poultry products. To meet this demand, commercial poultry farms have been expanding, increasing the production rate.

According to CSA and FAO 2018/2019 data, the annual poultry meat production was estimated at 54,000 tons per annum. For egg production, based on the assessment conducted by ENTAG (Business opportunity report, 2020), the commercial sector attributes to 73,357 tons per annum. However, currently the pandemic has negatively impacted the sector and poultry production and consumption rates are declining greatly. The end date to this global crisis is still unknown and the fate of these industries remains at stake.

Therefore, a quick assessment of the sector through a questionnaire survey distributed to key stakeholders and telephone interviews has been conducted in order to identify the damage to the sector.

IMPACTS OF COVID-19 ON THE SECTOR

1. REDUCED ACCESS TO INPUTS

Precautionary measures imposed through prohibiting international movements, lack of sufficient foreign currency, and the overall delay of shipment from suppliers have greatly contributed to the interruption of import of input supplies such as vaccines, medicines, parent stock, fertile eggs, premix, etc.

Breeder farms are the main backbones of the industry. According to the Business opportunity report by ENTAG in 2020, parent stocks are imported from different countries including Belgium (41%), the Netherlands (28%), Brazil (27%) and Germany (4%). Based on the report, the commercial poultry sector has about 71,000 broiler parent stocks, 87,300 layer parent stock and 141,700 dual purpose parent stocks to ensure a sustainable production of day old chicks.

However, due to the problems delaying the import process, a very huge gap in production is expected to occur, which leaves breeder farms unable to deliver day old chicks to meet the demand. During the time of crisis, breeder farms were forced to dump their day old chicks, slaughter/process their precious parent stocks and sell breeder eggs as table eggs due to the lack of demand. These breeder farms are now encountering a challenge due to a delay in import for a new replacement parent stock batch.

Nationally, it has been indicated that there is a challenge in access to animal feed raw materials due to transport restrictions among the regions and provinces of the country. Moreover, feed input suppliers and vehicle owners are not willing to move from their areas due to the concern of getting infected with the virus and/or entering quarantine. Therefore, animal compound feed producers have indicated that they are facing great crisis due to the lack of available raw materials, which has led them to halt their production capacity by half. Poultry feed accounts to about 80% of total feed produced.

2. REDUCED ACCESS TO MARKET

The market of the poultry sector encloses several actors. A simplified layer and broiler value chain map is illustrated in Figure 1.1 and 1.2. The main customers for chicken products are hotels and restaurants.

As indicated by interviewed commercial farmers, the demand for chicken products has now dropped by 70%, as festivals, events, exhibitions, meetings in hotels, etc. are prohibited due to the state of Emergency. Furthermore, people have limited trend in frequently visiting cafes, restaurants and markets. In addition, the demand for chicken products was reducing significantly especially during the first few weeks after the first COVID-19 case was report in Ethiopia, which was exacerbated by misleading posts on social media that humans could get infected by COVID-19 through consuming chicken products.

FIGURE 1.1 SIMPLIFIED LAYER VALUE CHAIN

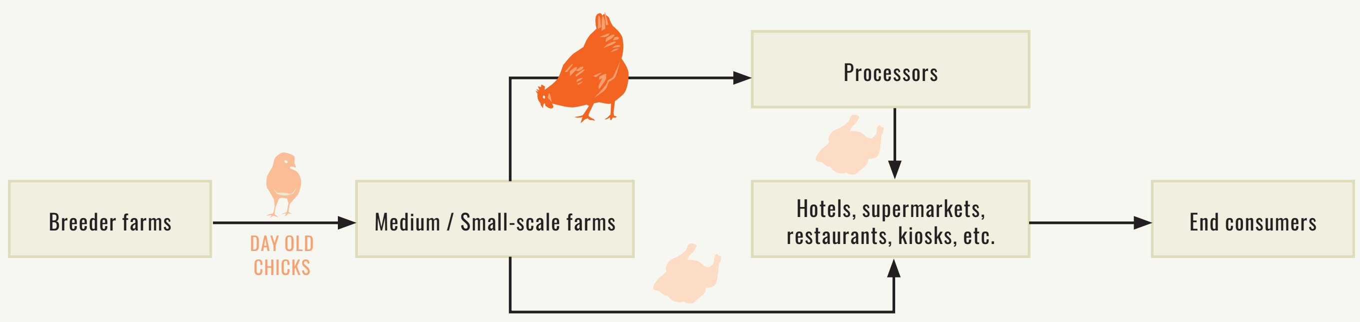


FIGURE 1.2 SIMPLIFIED BROILER VALUE CHAIN

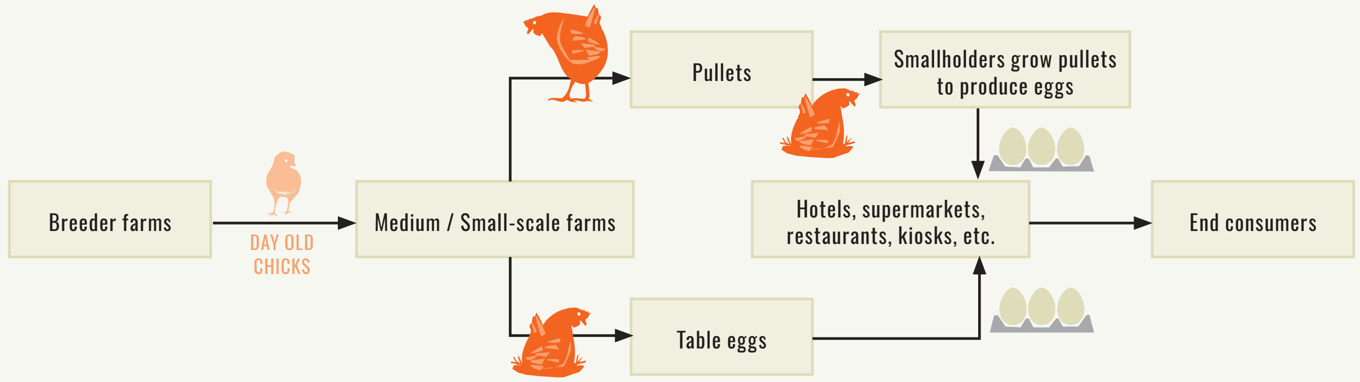


TABLE 1.1: OVERVIEW OF THE PERFORMANCE IN THE COMMERCIAL POULTRY SECTOR

NO	PRODUCT	PRODUCTION RATE AFTER COVID-19	TOTAL LOSS IN ETB	REMARKS
1	Feed	Reduced by 92%	135,281,789	
2	Day old chicks	Reduced by 68%	74,120,800	3,500 parent stocks have been lost due to slaughtering
3	Pullets	No production	3,531,699	
4	Broilers	Reduced by 87%	13,551,500	3,000 kg has been disposed due to spoilage and 50,000 birds have died due to prolonged stay in production

Due to this decline in market demand for chicken produce, medium and small-scale farmers are refraining from buying day old chicks, in fear that they may not be able to sell them given the general consumer behavior change.

For the broiler market, it has been indicated by producers and processors that even if they were able to make sales for the Easter holiday, there has not been significant improvement in the demand for chicken meat after the fasting season has ended.

Furthermore, they predict that the status for the demand will be the same for a certain amount of time, until COVID-19 is fully under control and the state of emergency is revoked.

According to telephone interviews with layer/pullet farmers, they have been forced to slaughter their pullets and layers for Easter holiday due to the low demand for eggs, leaving them with no more flocks in their farms.

Currently, the demand for eggs has been observed to slowly escalate with the price ranging from 5–6 ETB. However, there is no sufficient production to meet this demand since most medium/small-scale farms have no more flock left. Therefore, these farms are now turning to breeders to obtain day old chicks to start their production.

The assessment indicates that the poultry value chain is generally struggling. As the demand for layer day old chicks is slowly increasing, the breeder farms are now faced with the challenge of access to foreign currency to import parent stock which has left them unable to supply the demand at the moment.

As indicated in the table due to the reduced access to feed inputs, feed production has reduced by 92% per day. As for the breeders, their production has dropped by 68% which correlates with the decreased demand for day old chicks. According to pullet farmers sampled, there is no more production of pullets as they are trying to sell those that are already at hand. Finally, as indicated the production of broiler producers has dropped by 87%.

Also during the first few weeks of the pandemic, there has been no change in production of table eggs rather an increase however, due to lack of market demand; eggs have been stored longer than necessary, leaving farms at a loss of 5,291,750 ETB.

3. IMPACT ON EMPLOYEES

With the absence of adequate public transport, farm employees are not able to attend their jobs easily. Furthermore, employees are anxious to work due to their concern of exposure to the disease.

According to our survey, most of companies have been trying to keep all their staff, fulfilling all the necessary PPE materials for the workers to protect themselves against COVID-19 while carrying out their day to day job. Given the decline in production, a few farms have imposed forced annual leave with pay to decrease the density of people in the work place as a preventive measure against COVID-19. Unfortunately, a few farms that have less capacity were forced to lay off a few of their employees as their business is not doing well enough for them to make all due payments.

The survey has been summarized in the table below.

TABLE 1.2: EMPLOYEE STATUS BEFORE AND AFTER COVID-19

EMPLOYEE'S BEFORE THE PANDEMIC	PERMANENT EMPLOYEES	TEMPORARY EMPLOYEES
MALE	1072	14
FEMALE	656	73
TOTAL	**1728**	**214**
LAID OFF EMPLOYEE'S AFTER PANDEMIC	**PERMANENT EMPLOYEES**	**TEMPORARY EMPLOYEES**
MALE	20	9
FEMALE	11	10
TOTAL	**31**	**19**

Note: data was from 14 companies

4. LACK OF STORAGE FACILITIES AND WASTAGE OF PRODUCTS

Producers have suffered a lot due to reduced product sales, which has forced them to store their products until buyers are found. As chicken products are perishable, producers have stated that they had to dispose a portion of their stored products (3000 kg of chicken meat) since they were spoiled, given the unreliable consistency of electricity to run cold rooms/refrigerators for storage of chicken meat. The prolonged storage mixed with lack of sufficient space to store eggs has also resulted in high losses.

Farmers that do not have cold room/refrigerator access to store slaughtered chicken are keeping the flocks in production way beyond their expected time of slaughter. Therefore, inevitably wasting resources such as vaccine, feed, labour, etc. More importantly, feeding these chickens will eventually result in over-weight (which is over 2 kg per bird). This over-weight produce is not a desirable characteristic for buyers therefore, the flock may or may not be sellable.

5. INCREASING FEED PRICE AND UNREGULATED MARKET

In order to produce feed, corn and soybean are the main raw materials needed that are usually obtained from local farmers and at times are imported. According to Alema koudjis, one of the prominent feed producers, the company is facing a 20% price increase on these raw materials. The increase in price of these raw materials has forced these producers to increase the poultry feed selling price.

Since the main cost of production for producing chicken meat or egg is feed, the increase in feed price simply means the increase of the products selling price. Apart from this, the unregulated market of poultry products also contributes to the price increment. In general, brokers mediate between farmers, farms and supermarkets and dictate farm gate prices, even though they have fixed prices from supermarkets. This practice combined with the other effects of the pandemic is dragging the performance of the sector even further down.

RECOMMENDATIONS

The shortage of day old chicks that sustain the production cycle and the escalating price of chicken products is a clear indicator that we are approaching the days where scarcity of chicken products is unavoidable. As chicken has a huge role in household economy, income, nutrition and food security the following recommendations are advised to the government, national policy makers and development partners to minimize the impact of COVID-19 on the poultry sector.

1. **Organize grouped slaughtering points and support the installation of a cold chain:** This would enable the sector actors to maintain the quality of their poultry meat while increasing the efficiency of the sector.

2. **Support Market Linkage:** A well-functioning market link means a smooth flow of goods from production to consumer tables with value chain actors focusing on quality and productivity thereby, supporting the food and nutrition agenda of the government.

3. **Financial Support:** Mitigate short-term COVID-19 impacts via dedicated financial facilities (e.g. temporary tax relief, dedicated emergency loan programs, direct stimulus payments, tax exemptions, extensions for overdue loan repayments, grace periods, low interest rates and direct public investments and subsidies.

4. **Access to Foreign Currency:** As mentioned above, breeder farms are the backbones of the industry. Without the regular replacement batch of parent stock the sector will collapse. Therefore, import conditions should be improved through availing foreign currency. Access to forex would also boost the performance of feed processors that import essential inputs.

5. **Promote consumption:** Protein is vital to boost the immune system of people to fight COVID-19. As chicken products are a healthy source of protein and other nutrients, promotion should be done on easy to cook chicken dishes to encourage household consumption. This has to be taken up by government, specifically Ministry of Agriculture, conducting national campaign on consumption of chicken products. Concretely key stakeholders like Ministry of Agriculture, development organizations and the relevant trade associations should :

   » promote the consumption of chicken products by making clear that poultry products boost the immune system. A Media Campaign on ETV would be very useful.
   » stop and counter misleading messages in connection with COVID-19 and the consumption of poultry products. Advising the public how to sanitize grocery products or safe use of products (including chicken meat and eggs).
   » ensure that any emergency measures do not affect the supply chain.
   » promote solutions on logistics such as house to house delivery or outsourcing to online shopping and delivery companies, with a premium price to compensate extra delivery costs, or to outsource for micro-enterprises (motor bike delivery) in order to make products easily accessible to consumers.

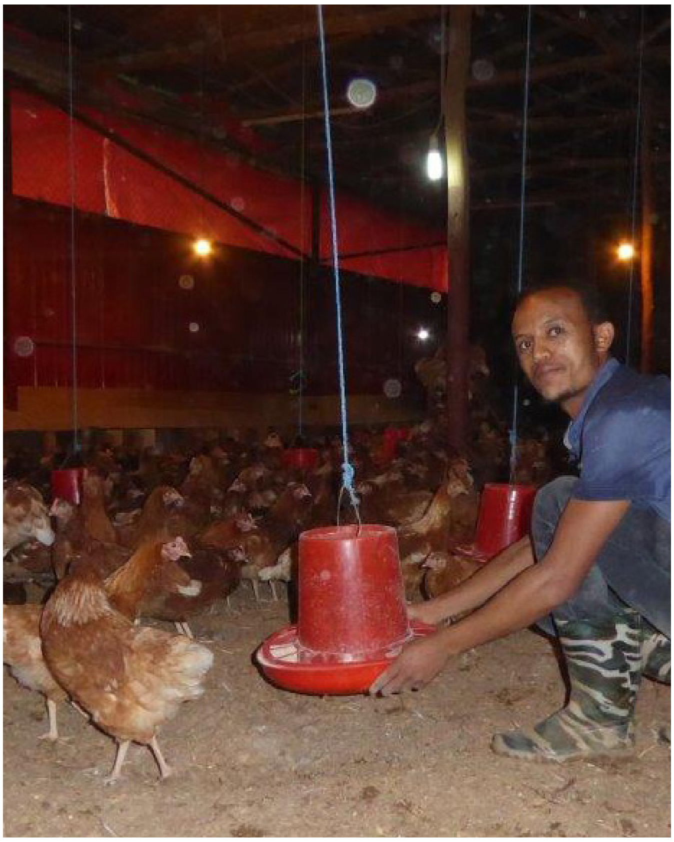
6. **Government coordinated supply through COVID-19 initiatives (like food banks)**

   » Supplying quarantine centers including hotels with poultry products.
   » Supplying poultry products for the homeless and jobless through food banks.

7. **Establish emergency response procedures and services:** Reallocate staff and resources to crisis relief activities, including on provision of movement permits, disease control, food inspection and obtaining feedback from stakeholders on required support.

8. **Provide guidelines for COVID-19 control and prevention along the supply chains:** In order to protect value chain actors and their families, these guidelines should include provisions for heightened biosecurity, PPE and hygiene.

Finally, priority should be given to the sector and it is strongly recommended that the MoA, EMDIDI, EPPPA and other development partners should work together with value chain actors in order to create better working conditions despite the casualties, to identify problems, solutions and their immediate implementation.



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BENEFIT