

MANUFACTURING AFRICA



Manufacturing Africa aims to reduce poverty in Africa by attracting £1.2 billion of foreign direct investment into manufacturing and creating 90,000 jobs over 7 years (2019-2026). The programme is funded by the UK government through the Foreign, Commonwealth & Development Office (FCDO)



MA-Supported FMCG Company in Ethiopia Secures Investment

A consortium of private investors managed by 54 Capital – an Africa focused management firm – has made a **\$21 million** growth capital investment into SAMANU, Ethiopia's largest FMCG platform.

The investment will fund the construction of a new integrated solvent extraction plant to enable the production of edible oil from locally available seeds (soya, sunflower, groundnut, cottonseed, sesame).

The new plant will have a daily 200-tonne crushing capacity. This will increase the production of SAMANU's leading edible oil brand "Tena" by 130% and create more than 200 new jobs. In addition, the manufacturer will also produce animal feed as a by-product, which it plans to export partially to generate forex earnings.

The expansion will have a very large local supply chain development component which will reach and impact the livelihoods of up to 7,000 smallholder farmers.

7,000

smallholder
farmers will be
supported by
the expanded
facility

THE CHALLENGE

54 Capital reached out to MA for support in developing its Tena Edible Oil local sourcing strategy to reduce the reliance on imports of raw material for production. Currently 90% of the inputs for Tena edible oil refinery (crude vegetable oil) are imported while local supplies constitute only 10%. In addition, the company sought support in identifying potential export markets for animal feed and sesame oil. Ethiopia has little or no experience of exporting both commodities, hence limited data existed in this space.



Ethiopia spends ~\$600Mn/year on edible oil imports, despite being one of the major producers and exporters of oils seeds in Africa.

OUR SUPPORT

MA's support to 54 Capital comprised the following interventions:



a) Developing a sourcing strategy

The strategy document explored key questions such as;

- Where in Ethiopia, can the company can effectively source oil seeds (sesame, soybean and sunflower) to meet Tena's demand?
- What are the key constraints and growth potential/opportunities to support aggregate local growers in the identified production areas?
- What constraints and growth opportunities are there to locally source the selected oil seeds?
- What potentials are there to vertically integrate and partner with a commercial farming partner to develop a secure local sourcing model?

And outlined practical short-term and long-term options for sourcing.



b) Facilitating engagements with government agencies

- Investment facilitation with Ethiopian Investment Commission (EIC) and other government agencies
- Linking with Agricultural Transformation Institute - ATI (formerly ATA) to tap into the institution's networks and Agricultural Commercial Clusters (ACC) program for supply chain development



c) Developing a brief on requirements, regulations, and administrative processes to obtain a license for animal feed manufacturing and export in Ethiopia

- Outlining requirements for Certificate of Competence and Business License
- Developing process flows and documentation required for certification and licensing
- Summarizing relevant directives on production, transportation, and trading of animal feed, including import/export laws on feed & feed ingredients.

OUTCOME OF MA SUPPORT

- The Chief Supply Chain Officer (CSO) of the company and his team have started implementation of the sourcing strategy. The team is working with Agricultural Transformation Institute (ATI), Techno Serve and others, in developing the supply chain to reach a large number of oil seed producer farmers and cooperatives in Ethiopia. With a collection target of 55,000 tons of oil seed crops next year, the firm aims to work directly with smallholder farmers and cooperatives. Estimates show that to meet this target, they will need to engage over 2,000 farmers. At full capacity, the project will reach 5,000 to 7,000 farmers.
- MA learned of the interest of the new senior management at 54 Capital to resume the expansion of the solvent extraction plant (after over a year long pause due to Covid and the conflict situation in Ethiopia). MA presented and shared outputs with new management, to maintain the momentum and kept providing after care support until the eventual closing of the deal.

LESSONS LEARNED

The vertical integration project will help address FX challenges by reducing the need for imported raw materials and creating new export opportunities in animal feed and sesame oil.



This programme is funded by UK aid from the UK government; however, the views expressed do not necessarily express the UK government's official policies.

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