

Assessing the Opportunities Available to Banks in Financing Horticulture Sub-Sector in Ethiopia

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Abstract

This assessment is aimed at conducting exploring the opportunities that Banks in Ethiopia have in working in with horticultural industry players. This export sales trend of horticulture has shown an immense fluctuation from the selected more latest year 2009/10 to 2018/2019 by using qualitative and quantitative data analysis. This, the variation was shows alarming increase had shown significant to the total export sales gain of the country for the sector where it was become cover about 10% whole export commodity of 2009/10 to 2018/19. From this assessment it was found that horticulture export commodity of Ethiopia plays significant role in foreign exchange gains earning and competency in the international arena which makes the banks to working with makes difference. Despite, several challenges and opportunities namely tumultuous weather, seasonal cyclones, occasional drought, demographic pressure, industrialization, urbanization and unprecedented use of insecticide & pesticide and compulsion for migration of rural masses to urban areas, especially for their livelihood. Ethiopia is the second largest supplier and exporter of horticulture produce in Africa after Kenya, due to is currently the fifth foreign revenue earner to the Ethiopian economy and it is one of the commodity a boost to the export sector of the country, so it is better for banking working in horticulture and the sector key players. In general, over the past few years, horticulture has made remarkable progress in terms of expansion in area and production under different crops, increase in productivity, crop diversification, technological interventions for production and post-harvest and forward linkages through value addition and marketing which makes benefit the banks involving in the sector.

Keywords: Horticulture, Horticulture production, Value chain, Key player

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1. INTRODUCTION

1.1. Background of the Study

The horticultural industry in terms of foreign exchange earnings, family income, employment creation and other indirect effects which contribute to economic growth. In addition, horticultural production occurs in most regions in Ethiopia and has presence of in both public and the private sector. From vibrant performance of growth in the last decade, the horticulture sub-sector has also been significantly improved rural incomes hence poverty reduction, both directly and indirectly (NPC, 2018). It is estimated that horticulture sub-sector in Ethiopia employs many people directly in production, processing, and marketing, and indirectly through trade and other activities. The horticulture sector currently occupies 10,897.21 hectares of land creating employment for 199,640 Ethiopians. The sector is the fourth largest contributor of export income for the country in US\$ 307.04 million in the year 2017/18 (World Bank, 2019).

Ethiopian export structure dominated by few traditional horticulture commodities which creates export earning was fluctuating both in value and volume. Currently horizontal export diversification strategy through horticulture industry from agricultural sub sector become increasing commodities. Investors from foreign and domestic both in number and amount of capital they invest on horticulture are rapidly increasing. The generated income account from the sector reached for 10% of the nation's foreign currency earning, which was only 3% before four 2015. The industry is also becoming the largest source of foreign currency as to coffee and oilseeds.

The incremental of export share of horticulture produces is mainly from the rapidly booming of flower high share in average from horticulture export 's produces export. From horticulture sub sector, flower contributes much of the share in around 79% while the expanding vegetable, fruits, and herbs have 21% share of the revenue. The reasons for the sector remarkably booming are conducive policy The sector a huge potential for the production and export of horticulture farming that can be competitive in the global market with additional proximity of its geography which is located in the gateway of Africa, middle East, and Europe. environment and natural comparative advantages the country has such as favorable climate, abundant land (long term leased), varieties soil types, suitable topography, agro-ecology, cheap labor, loans in advantageous terms, location for export irrigable lands and rivers, increase demand of horticulture produces.

Horticulture i.e. vegetables and fruits, and flowers although it is only a decade old, the horticulture sector has an immense contribution in generating a huge amount of foreign exchange earnings of the for the country. In addition, the sector provides employment, production of horticulture commodities should be encouraged in labor abundant and capital scarce countries in Ethiopia. According the Ethiopian Horticulture Development Agency,

the foreign currency acquired from the sector has been growing from year to year; it is the fifth foreign revenue earner for Ethiopia, generating USD 274.62 million in 2015/2016 budget year compared to USD 28.5 million in 2004/2005. Additionally, the foreign currency earnings generated from the export of horticulture products has shown a 10.7 percent increase compared to the performance of in each year. The export of cut flowers alone generated the highest revenue, accounting for 225 million USD while the export of fruits and vegetables generated 50 million USD (EHDA, 2018).

Ethiopia, according to the EHDA (2016), is endowed with extensive natural resources such as fertile soil, excellent water resource and favorable climate that make the country suitable for the development of different varieties of flowers, vegetables, fruit, and flowers. The government is also providing the necessary support to investors engaged in the horticulture export sector apart from the availability of the attractive investment incentives packages. Due to the priority given to the horticulture sector, the potential growth the sector, demand make, grown rapidly. Currently, there are 136 domestic and foreign-owned companies operating in Ethiopia in the production of flowers, vegetables, fruit and flowers. Of the total, 83 are foreign and joint venture companies while the remaining 53 are local. Due to the prevailing investment environment, attractive incentive packages and overall government supports, Ethiopia has become center of attractions for FDI, mainly, horticulture development. The country is now the second largest supplier and exporter of high quality flowers from Africa. According (EIC, 2016), Ethiopia's performance in attracting FDI in the horticulture sector is relatively good as compared to many African countries, as well as it is the 4th largest non-EU exporter to the EU cut-flower market and the 2nd largest flower exporter from Africa (after Kenya). However, according to the researcher's observations, there are far fewer FDI firms in the horticulture sector in Ethiopia potential can accommodate using its comparative advantage. The sector absorb different foreign investments are coming from different corners of the world, the sectors' huge potential leads for absorbing foreign direct investors, this makes AB would gain the comparative advantage by investing this potential full sector and also open new opportunity for AB strategy way to work with upcoming FDI investors to gain foreign currency.

Ethiopia has about 513,000 square kilometers of arable land and the total land area currently readily available for export-oriented horticulture investments is about 49,300 hectares, only 12,797 hectares of this land has been developed. This makes the sectorial great potential to work in the sector (EHDA, 2016). Generally, this all suggest that Banks shall have got comparative advantage if it has drawn strategy in such potential full sub sector. This all evidence shows that the huge potential of the sector makes Awash bank could have got comparative advantage if it works in horticulture sub sector.

1.2 STATEMENT OF THE PROBLEM

Horticultural production in Ethiopia can be seen as a success story and also looking generally at the percentage of the horticultural exports also showing good. According to a competitiveness report by USAID (2012), Ethiopia's export performance shows good potential, taking into consideration overall agricultural output, size of economy, population, and arable land. Over reliance on domestic markets has resulted to low domestic prices for the horticultural produce and hence there is need to exploit the foreign market for the horticultural commodities. Although the horticultural export subsector has achieved a significant growth, it has stagnated in the past decade, and if prioritized, has great potential. There is continued dominance of domestic horticultural production and the export sub-sector has experienced a better growth rate over the last decade. The slow growth rate in the horticultural sub-sector implies that the country has been able to maximize on the foreign exchange earned from the exports.

The fruit, vegetable and flower sector has become very promising and attractive business in many countries globally and in Africa. Especially, the Ethiopian flower industry in booming in a large scale; as a result, it is now becoming the fourth foreign-currency generator of the country next to the top three: coffee, oilseeds and cereals. In addition to the positive impacts in terms of foreign exchange, economic development and creating employment, the floriculture sector provides an inspiring example of a successful introduction sector for financial institution to work on.

Ethiopia has a good potential for the production of high value export product like flower fruit and vegetable that can be competitive in the international market. That is to note that, most horticultural products are mostly available on market days. The retail market has a very high potential to boost in rural economic development and generating income for individual those involving in the sector. To trade the fruits and the vegetables, should be supplied for the market otherwise the freshness of the products is going to be affected. All above premise and data shows that Banks is time for investing in such hub opportunity, and potential full the sector. This assessment is needed to asses' opportunity of AB in investing and working collaboratively with horticulture sub-sector and forward recommendable idea.

1.3 General Objective of the study

Objective of the study

The main objective of assessment is conducting the opportunity of Banks in working in horticulture i.e. fruits, vegetables and flowers sub sector in Ethiopia,

Specifically focus on:

- To show the production potentials of the horticulture in country, in general fruits, vegetables and flowers particular and recommend the way to invest in the sector;
- Assess the current situation/status of major horticulture value chains production productivity, and marketing system opportunity in the country.
- Provide future, the supply chain channel through which banks can do with horticulture supply demand chains and market outlet chain and,
- Suggest prioritized area of the kind of horticulture (fruits, vegetables and flowers) to which we should give due attention the sector which the Banks can get advantage,
- Identify major distinctions and the potential markets for Ethiopian's horticulture sector in the international trade arena and future opportunities for the continuous growth for export in comparative to other sector,
- Pinpoints the constraints challenging the industry and forward some recommendations concerning the sector.

1.4. Research Methods and Analysis

For this assessment secondary data are collected from various sources including online, Annual Report of NBE, Central Statistics agency, Ethiopian horticulture development association, International trade corporation. For data analysis, descriptive statistics like simple statistical methods such as percentages, averages and growth rate are utilized and presented in the form of graphs and tabulations.

2. Overview of Horticulture and Horticulture Products

Horticulture defined as branch of agriculture that deals with the cultivation of plants used for food or for the production of food or ornament, including the technical procedures necessary for the production and preparation for market of flowers, decorative foliage, fruit, vegetable crops (Bord,2001). In case of Africa, there are many countries which export flower to the rest of the world. Among these Kenya has been one of the largest cut flower exporters in Africa, and takes the 4th rank next to Holland, Colombia and Ecuador. There are about 3,400 hectares of flowers with 117,000 tons of flowers with the income of 500 million euro (EHPEA, 2014).

The Central Statistics Authority (CSA,2018) data is suggest most fruit, vegetables and flowers are produced under irrigation and give better yield in any trends. Besides, the scattered small farmers, private investor cooperatives unions that are increasing in number also produce different fruits and vegetables, flowers for local and export markets. The private farms have better option to use better technologies and hence better productivity. Limited private companies are involved in the commercial production of fruits and vegetables, and flower.

2.1 Horticulture sub as Sector

2.1.1. Fruits and vegetable:

As compared to the dominant share of the agricultural sector in the Ethiopian economy, horticulture sub sector is relatively new and its overall contribution to the economy of the country not much significant. As a source of their livelihood, few business oriented farmers and urban dwellers are participating to cultivate small scale vegetables for domestic consumption, especially, in and around cities. Central statistics data of 2017, shows that in Ethiopia fruits domestic supply was estimated about 3,894 in 2017. This trend is increasing overtime and the activity is becoming income generating for farmers around and nearer urban areas of the country. Vegetable suppliers and retailers are also increasingly linked to this type of activity and become famous economic activity.

Unlike flower, in the past, fruits and vegetables business are not satisfactorily growing in Ethiopia. This may due to the low domestic demand which implies that most population in Ethiopia is rural habitant than urban, poor quality and insufficient supply of fruits, vegetables and they are mostly periodical production not stay for long periods of time, especially to avail international markets. So, the supply side shows very little diversification and less value addition.

More recent time, in Ethiopia, the fruit and vegetable sector is becoming an important income generator for both the private and public enterprises throughout the year. Experiences in the previous years have also shown the fruit and vegetable can be an important source of employment. Therefore, it has been well acknowledged that the retail marketing and entrepreneurial activities related to the sector will encourage large number of farmers in the country in near future (NPC, 2015). The success of the fruit and vegetable sector is largely based on the efficiency and flexibility of the marketing system. This is partly because a large share of the potential demand for fruits and vegetables is in urban areas and in foreign markets, so that the volume of horticultural production is highly dependent on markets to link producers and consumers, as it does not stay long. In addition, the

periodically, of fruits and vegetables makes prices more volatile and production riskier, thus increasing the potential gain from the exchange of marketing information between producers and traders. Third, fruit and vegetable production requires more labor, more purchased inputs, and more skill than other type of horticulture. This all makes difficult to invest in such type of temporarily product, for financial institutions.

2.1. 2 FLOWER

Ethiopia's flower production and export went through a remarkable growth from year to year both in terms of value and volume. The government's incentive scheme including duty free permit and exemption from value added tax (VAT) on import of capital goods has provided an added impetus to encourage exports. Companies are also allowed to import consumer items duty free or can pay duty and claim back later together with the VAT. This has motivated investors to get into the rose flower business as a non-traditional export with more diversified sources of currency earning. The prevailing incentives in export business new to Ethiopia's flower business, with main export destination to EU markets is expanding. The low humidity and constant year round temperature have contributed for the production of high quality flowers and so far the business is fast thriving.

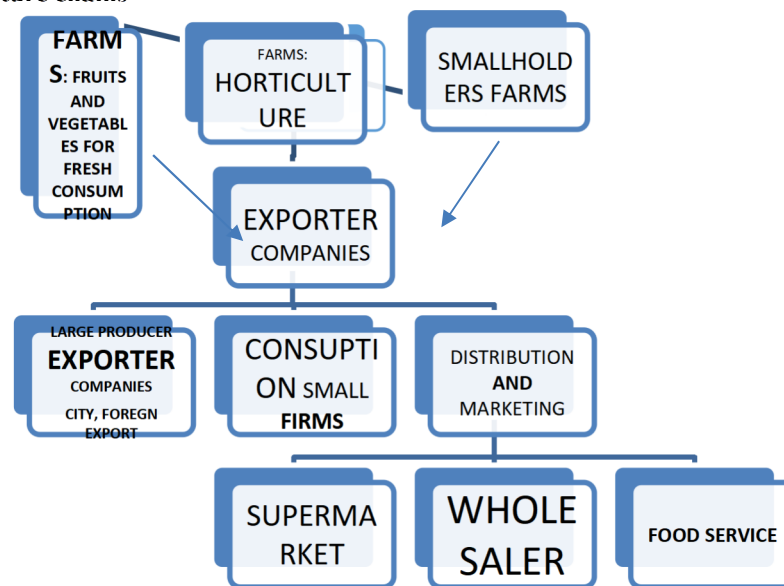
Despite, flower is late entry business in Ethiopia, the country is now the second largest flower producer and exporter in Africa, next to Kenya, and the fourth largest exporter to the EU flower market. The Ethiopian flower industry become growing fast and successful diversification into a nontraditional export product. Future prediction of flower shows even further future growth of the sector. According national bank of Ethiopia, 2017, export of flower was reached about \$550 million by the end of 2016. This is due to offered attractive incentives given for the sector. For instance, corporate tax exemption for inputs, import duties were scrapped and investors were also given access to financing from government banks. This all become makes obvious that Ethiopia had a comparative advantage in the production of flowers.

The Ethiopian flower industry shows that domestic entrepreneurs played a major role in the initial stages. The flower sector create employment for over 50,000 persons, and one of top five products that enable the country to earn foreign exchange. The Ethiopian flower industry is an export oriented industry. Flower production is mostly oriented for the export market and it has accounted for over 50% of the total value of horticultural exports. About 40 percent of the farms are fully foreign owned, 23 percent are joint ventures, and 36 percent are fully domestic owned (WB, 2016). This all employee uses the bank services. Now, the better investment climate in Ethiopia compared to these countries may have contributed to the increasing shift of foreign investment to Ethiopia. These international investment, transfers knowledge and technological innovations can be introduced into the domestic market; additionally, these International investment is beneficial for the recipient country as it also promotes economic activity, increasing employment and the come with foreign currency (dollar), so that the bank can work with such Foreign direct investors so that they **Banks** can collect foreign currency gain from these investors by working with them. For instance, evidence show that Ethiopia, the flower industry has experienced investment from a range of geographical and industrial backgrounds, from the Netherlands, United Kingdom Israel, and India, to more different regional markets. This evidently shows that; Ethiopia has emerged as a strong global flower market competitor.

2.2. The Horticulture Value Chain

A horticulture value chain describes that the whole range of activities in which workers and firms carry out to bring out a product from the start from production to an end use and further. In this sense, all activities under value chain include designing, production, marketing strategies, distribution channels and the support for the final consumer. These activities that constitute a value chain can be carried by a single firm or through different firms. According global value chains definition value chain have momentous implications on production, global trade and employment, especially in way; producers, workers and firms are integrated into the whole economy. According to World Bank (2016), the structure of horticulture global value chain incorporates different subdivisions and segments including input section, production section, packing and storage section, processing section, and finally distributing and marketing section (Diagram 2.1).

Diagram's 2.1 Horticulture chains



Source: Authors' draw

- A. **Production Section:** here the production is divided in two; for fresh consumption and for further processing for fruits and vegetables or flower which in most cases are not accepted for fresh consumption. In this subdivision of the chain, Ethiopia has comparatively had a higher advantage on production of horticulture as a result of their climate, labor and land.
- B. **Packing and Storage Section:** this is mostly done and prepared by large producer firms and exporters who combine the fruits, vegetables and flower store packing and exporting. The first activity here is called grading, classification and under this the main activities include washing, chopping, trimming, packing, mixing labeling.
- C. **Distributing and marketing section:** Horticulture marketing can be defined as it is series of activities involved in making fruits, vegetables, and flowers available on level of market requirements to the point use for consumption. This is the last stage on the value chain before end use; consumption. The final product is channeled through different types of distributors like wholesalers, small retailers, supermarkets and food service processors.

2.3 Purpose of horticulture sector in Ethiopia

Ethiopia's production conditions favor the cultivation of different varieties of fruits vegetables given that the country's suitability in the different ranges in altitude with additional irrigation potentials in the different regions of the country to produce all temperate,

and tropical fruits and vegetables (EHDA, 2011). With this regard, the country has high potential for producing high valued export products like fruits and vegetables that could be competitive in the international market. Additionally, many studies revealed in the country's potential for the production of a wide range of horticulture with its abundant land for cultivation and labor throughout the year. There are different major fruit crops with a high significance for the local and export market include pineapples, bananas, mandarin, avocados, guava, citrus fruits, mangoes, passion fruits, grapes, asparagus, papayas and vegetable crops of economic significance such as melon, tomato, pepper, chilies, carrot, onion, green beans, cabbages, green peas, okra, cauliflower and cucumbers and different types of flowers, and the major vegetables especially, are used for local consumption recently appeared as a major parcels for the export market (EIA, 2012).

2.4 Supply and Demand structure of the horticulture sub-sector Ethiopia

Ethiopia is comparatively advantageous in a horticulture due to the suitability and favorable climate, cheap labor and its location where its proximity near to the European and Middle Easter markets Horticultural export from the central part. Export of horticultural crops from the central part of Ethiopia is mainly to European markets by cargo flights. High value horticultural products like flowers and green beans are exported by large export companies from the central part. As the production of flowers is high-tech in its nature, farm households are not engaged in this business.

3. DISCUSSION (DATA ANALYSIS AND INTERPRETATIONS)

3.1 Horticulture trends and opportunity in Ethiopia

3.1.1 Share horticulture

Diversification towards the horticultural commodities seen not only in value terms, but in terms of production as well. This is reflected in the share of different crops in the total area under agriculture. Graph 3 below indicates the changes in the quantity of major or the first seven crops/crops most dominantly produced and exported in Ethiopia. The graph also portrays an increase in the share of horticultural crops. The data shows that during 2009/10 to 2010/11, the share of horticulture reduced by 4 percentages from about 10% to 6%, then in following 8 years the share of horticulture grown from 6.5 percent to about 12 percent from the periods 2009/11 to 2018/19 (Graph 3.1).

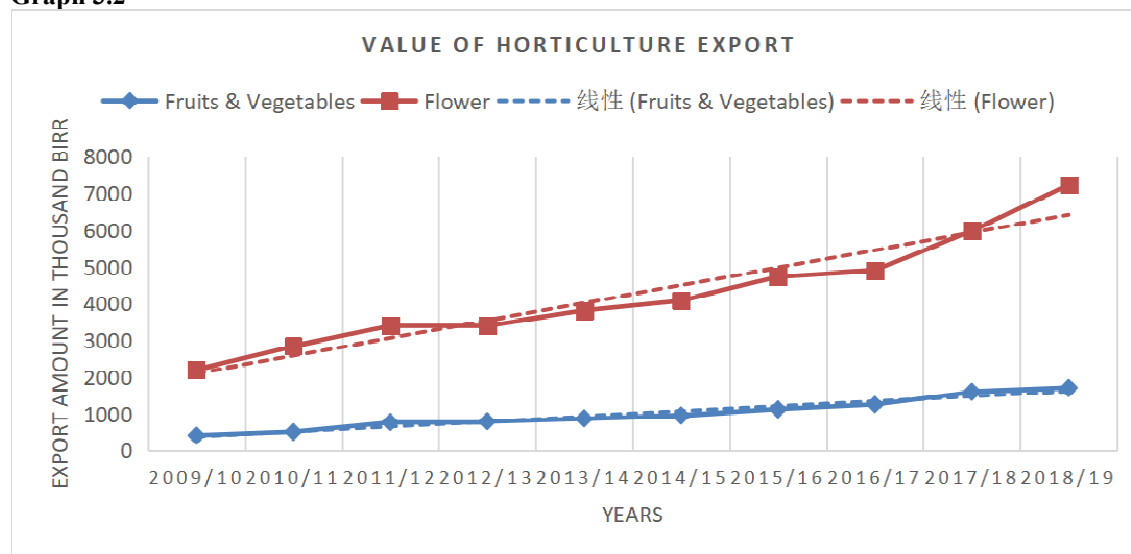
Graph 3.1



Source: authors draw

When we see the trend in quantity of major production for export item of agricultural products in Ethiopia from 2009/10 to 2018/19 there is alarming increase in the horticulture production per year. A disaggregate collected trend data indicates higher increase in total horticulture which increased from 7,586,000 in 2017 /18 to 8,938,000 in 2018/19. In case of fruits, with a production growth of 17.8% which is higher productivity growth. During 2009/ 10 to 2018/19, from horticulture sub sector, flower constitute majority amount of value of export the which is increased from about 200,000 birr to reach 800,000 birr from 2009 to 2019. This suggest that the amount of flower has mostly huge potential and opportunity for AB to work in the sector than other horticulture product i.e. fruit and vegetable. On the other hands, the volume of shares of fruits and vegetable increased from 412.6 birr to 1709 birr (in thousand) during the same periods (Graph 3.2) below.

Graph 3.2

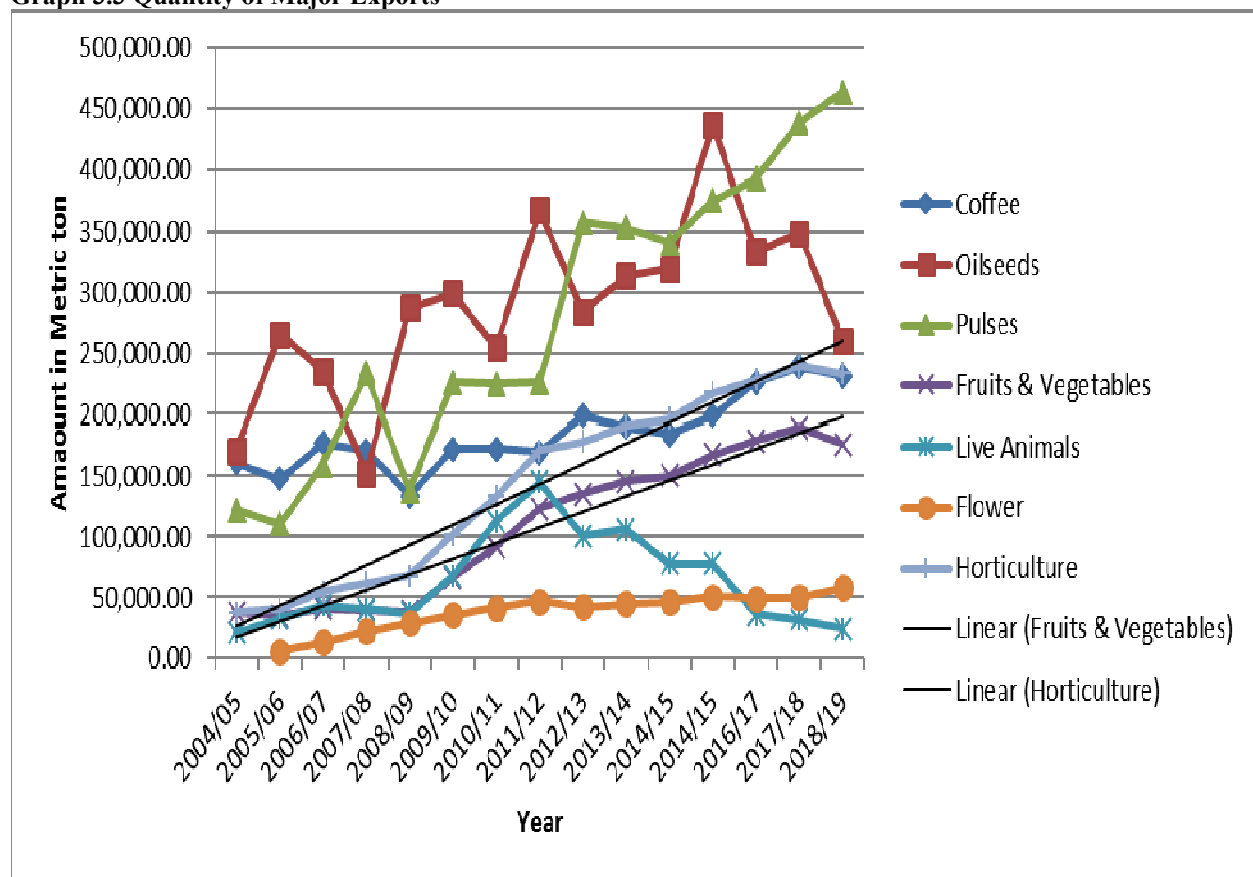


Source: Author

3.2. Trends in horticultural volumes comparison with other agriculture commodity

Recently, promoting the production and export of horticultural products i.e. fruits, vegetables and flowers, has taken attention of government of Ethiopia due to huge potential and achieving foreign earning. Yet, the share of horticultural export income is also become growing from the total export earnings. On the volume of, horticultural export volume grown from 37,906 metric tons to 233,468 metric tons during the periods which demonstrates a tendency of high positive growth in the volume of export of this sub sector, i.e., the sector constitutes about 6% of the total export share in 2009/10 to grown to 12% in 2018/2019, which is significant increase in export volume which suggest high gains from horticulture with comparison next to other agricultural commodity which are mostly, coffee, oilseed, plusses(Graph 3.3).

Graph 3.3 Quantity of Major Exports



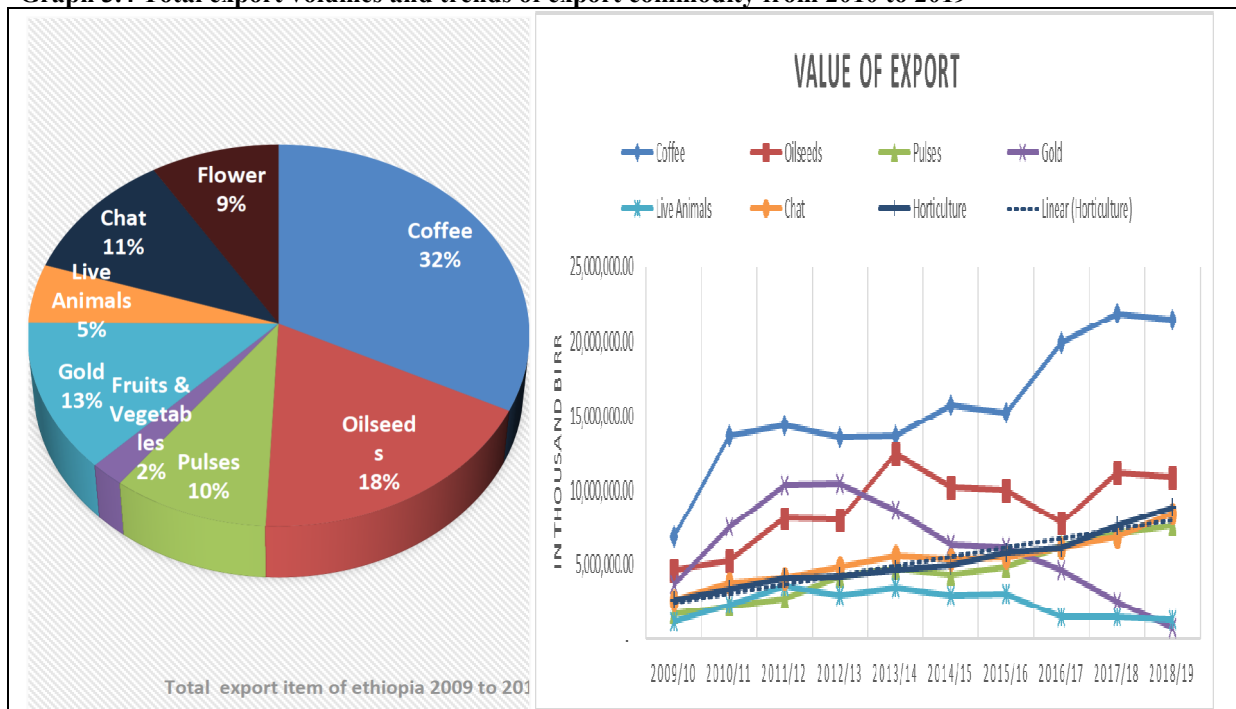
Source: Authors' computation using data from NBE (2019)

3.3. Trends in horticultural exports

In Ethiopia exports of fruits, vegetables and flowers have increased sharply during the past a decade (Table 3.4). It is shown that, horticultural exports values increased from 2,617,000 birr in 2010 to 8,938,000 in 2019, which comes to an average annual growth of more 6.4%. Overall exports of horticulture produce have recorded sustained rising trend over past several years. From all export commodity of Ethiopia, from periods of 2010 to 2019, the flower constitutes about 10%, whereas, Fruits and vegetables together constituted only about 2% of the total export. Additionally, from this, fruit and vegetable exports values sub sector increased from 412,600 birr in 2010 to 1,709,500 birr in 2019, showing with grown high an average annual growth. Flower, horticultural exports grew on average 7.32% annually; from 2,204,000 birr in 2010 to 7,228,000 birr in 2019.

The below graph also implies that from total exported agricultural commodity from 2010 to 2019 horticulture sub sector constitutes the fifth exported commodity by following coffee, oilseed, gold, chat. This all data shows that Ethiopian horticulture trade play crucial role in economic growth and foreign earning, and become increasing absorption of foreign direct investment in horticultural sectors make increased consolidation and vertical coordination in horticultural export chains; this also make creates new opportunity for financial service to participate in such potential full sector.

Graph 3.4 Total export volumes and trends of export commodity from 2010 to 2019



Graph 3.4 The trend of some agricultural commodities in the total exports (2010-2019)

On the other hands, using regression results in Table 5.5 below, horticulture sub sector is most significant in explaining the export performance of Ethiopia. The horticulture in export commodity of Ethiopia significant at both 1% and 5% level of significance. From the regression results, an increase in horticultural exports by 1% will lead to approximately 1.79% increase in exports. The sign is positive and is theoretically consistent. Ethiopia’s horticultural exports has competitive in the international markets and hence an increase in the demand and local supply also become increase. Additionally, from horticulture sub sector flower play most crucial role on export item. From the appendix, An increase in flower exports by 1% leads to an increase in whole export the by approximately 1.2%. The sign of the co-efficient is consistent with theoretical aspects of horticulture supply. An increase in the flower will lead to an increase in the quantity of horticultural exports and export earnings. The coefficient of flower had most positive sign and it is statistically significant at either at 1% or 5% in explaining the growth of high exports gains.

Table 3: 5 Regression Export Coffee Oilseeds Pulses Gold Horticulture

Export	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
Coffee	1.489396	.1673088	8.90	0.001	1.024872 1.953919
Oilseeds	1.563148	.1809898	8.64	0.001	1.06064 2.065656
Pulses	1.232514	.4664563	2.64	0.057	-.0625768 2.527604
Gold	1.18498	.1378907	8.59	0.001	.8021343 1.567826
Horticulture	1.791633	.6005209	2.98	0.041	.1243193 3.458946
_cons	-2327811	1465374	-1.59	0.187	-6396343 1740720

3.5 Export Distinction of horticulture Ethiopia

The major market destination for the Ethiopian horticulture product is Europe, particularly the Netherlands. The country is also exporting the majority of its horticultural products to the Middle and Far East, Russia and the USA markets (Table 3.6). Moreover, the market destinations are widening as more buyers are coming to Ethiopian producers since the quality and quantity of production is increasing from time to time than other competent country like Kenya. Therefore, Ethiopia has over 50 international destinations across the world for Ethiopian flowers, vegetables, fruits, and other types of horticulture. Despite, the enormous potential of the

country, foreign currency earning from the horticultural sub sector and amount of exportable horticultural products is also increasing and the investors to the sectors are motivated by having by various incentives and supports offered by the government. Horticulture export volume has secured by more than 28 percent growth in 2010 to 2019 in previous eight years. Especially, Ethiopia is doing well flower export by competing with and to realize its competitive advantage in floriculture export with Kenya, Uganda, Tanzania, Zambia Zimbabwe, Malawi, Namibia and South Africa (CSA,2016).

Horticulture are a fragile commodity and need to reach the market in good condition and at the right time. Ethiopia's proximity to Europe and the Middle East offers this basic guarantee. The products can reach these markets in a relatively shorter period of time, having cheaper transportation costs than most other flower producing African and Latin American countries.

Currently, as shown in Table 5, Ethiopian flowers are dominantly exported to the Netherlands (80.3 %), Germany, Saudi Arabia, Norway, Belgium, the United Arab Emirates, Japan, USA, France and Italy. Whereas, the majority of fruits and vegetables have traditionally been exported by road to neighboring countries, Somalia (56.8 %), Djibouti and the Sudan. Recently, increasing quantities of fruits and vegetables are also being shipped by air to the Netherlands, the UAE, Saudi Arabia, the UK, Germany, Belgium, Russia and Yemen (Table 3.6 below). Unlike to flower horticulture product, fruits and vegetables for both fresh and processed have a huge domestic market in Ethiopia and significant than that of the export volume due to it cannot stay for long periods and temporarily product. This suggest that if AB's is participating on exporting of the horticulture, especially flower, it is successfully than vegetable.

Table 3.6: Market Destinations for Ethiopian Horticulture Exports

Market Destination	Flower		Market Destination	Vegetable and Fruits	
	% Share in Quantity	% Share in Value		% Share in Quantity	% Share in Value
Netherlands	81.7	80.3	Somalia	51.9	56.8
Germany	4.6	4.2	Djibouti	40.3	23.4
Saudi Arabia	2.4	3.6	Netherlands	2.4	7.2
Norway	2.0	2.3	UAE	2.9	4.1
Belgium	1.5	1.3	UK	0.3	2.6
UAE	0.8	1.3	Sudan	1.0	1.6
Japan	1.4	1.2	Germany	0.1	0.9
USA	1.2	1.2	Belgium	0.2	0.7
France	0.8	0.9	Russian Federation	0.1	0.6
Italy	0.9	0.8	Yemen	0.2	0.4

Source: Adopted from EHDA (February 2017)

3.6 Challenge and opportunity

Lack of modern farming technologies, and market access horticulture; penetration of ICT in banking and credit facility, access to information concerning the production and marketing of horticulture. The horticulture production risk due to seasonality or climate change, and transportation may suffer the bank if it invests and involve in the horticulture sector.

On the other hands, lack of technologies and support services of horticulture merchant's money transfers and, demands, market information. Lack of diversifying into horticultural production for domestic markets, lack of clear and documented information in the sector. On other hands steady decline in the dollar values of traditional exports of Ethiopia, notably coffee, and an overall volatility of foreign currency earnings of the country due to over dependence on a very narrow export base are the main challenge may face the sector.

4. CONCLUSION AND RECOMMENDATIONS

4.1. Conclusions

The horticulture sector has been well emphasized and become growing sector by the government and other investors as one of the crucial areas for the expansion of foreign exchange and income earnings. On the other hand, the sector has good potential, production and the overall export performance better off from other agricultural commodity. From the assessment we have conclusive evidence the production potentials of the horticulture in country, in general fruits, vegetables and flowers particular and recommendable the way to invest in the sector;

The export sales trend of horticulture has shown a colossal fluctuation from the year 2010 to 2018/2019. However, the variation was shows alarming increase had shown significant to the total export sales gain of the country for the sector where it was become cover about 10% whole export commodity.

2009/10 to 2018/19. In addition, horticulture export commodity of Ethiopia plays highly significant in

foreign exchange gains earning and competency in the international arena.

From the assessment data we have seen that Ethiopia is the second largest supplier and exporter of horticulture produce in Africa next to Kenya, due to foreign exchange earnings, high supply and demand for horticulture the country has enormous potential, the horticulture sector is currently the fifth foreign revenue earner to the Ethiopian economy and it is one of the commodity a boost to the export sector of the country.

The major market destination for the Ethiopian horticulture product is Europe, particularly the Netherlands. The country is also exporting the majority of its horticultural products to the Middle and Far East, Russia and the USA markets. Therefore, Ethiopia has multi international destinations across the world for Ethiopian flowers, vegetables, fruits, and other types of horticulture. This is because, Ethiopian horticulture producers have got numerous advantage in production, also Ethiopian exporters are relatively advantageous due to their location proximity to the big markets of Europe and Middle East, leaving them with one positive point for their export performance distinction.

Moreover, there are challenges with varying degree of severity that deter the effectiveness and growth of Ethiopian horticulture sector. The major internal constraint in the horticulture exporters is lack of excess market and skill , producers and exporters are constrained by lack of credit facilities, supply of inputs followed by lack of infrastructure and lack of organized information in the market system.

Ethiopia is a preferred destination to horticulture investment due to its ideal and conducive climatic condition, abundance of large and cheap labor, geographic proximity to international horticulture market destinations, and availability of land. Due to these comparative advantages to horticulture production, the attractive incentive packages and overall government supports, increase the production volume and value, make the sector more attractive, the Ethiopian horticulture sector has become center of attraction for different foreign investors and attracting the financial sector for horticulture business environment provided by the Ethiopian government have been an important factor in attracting both foreign and domestic investors to the horticulture sector. This all advantages makes the Banks to finance and participate so that it is become main focusing area for the bank.

In this assessment, it was revealed that horticulture has significant economic role in the Ethiopia's economy and it has immense potential and opportunity for one of the focusing potential full sector for Banks. Horticulture sector has one of the triggering, has good perspectives and interesting opportunities for foreign investors, one of the attracting the financial institution for investing. There is high demand and supply for the sector and high potentiality of the sector Banks to invest on the sector. Therefore, the Banks need to build strategy its policies and program work the in the horticulture sector. Thus, as the sector a bold step towards full potential.

4.2. Recommendations

Based on the assessment findings, we have forwarded the following recommendations: .

- ✓ There is high demand and supply for the sector and high potentiality of the sector Banks to invest on in horticulture export: especially, flower export; this is due to most of the time ,fruit and vegetable production face climate risks, on other hands, their exporters also may face numerous trade risks due these product are temporarily product, they can't stay long periods on reach the market , Therefore, the Banks need to build strategy its policies and program work in the horticulture export, i.e. flower exporting.

Reference

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- . regress Export Coffee Oilseeds Pulses Gold Fruits Vegetables Flower Chat

Export	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
Coffee	1.531954	.1520627	10.07	0.010	.8776814	2.186227
Oilseeds	1.501452	.1949836	7.70	0.016	.6625051	2.340399
Pulses	.8783675	1.176236	0.75	0.533	-4.182568	5.939304
Gold	1.120154	.111925	10.01	0.010	.638579	1.601728
FruitsVegetables	.2166472	9.604551	0.02	0.984	-41.1084	41.54169
Flower	1.198525	2.786364	0.43	0.709	-10.79023	13.18728
Chat	1.288729	1.815388	0.71	0.551	-6.522257	9.099714
_cons	-3238414	1382572	-2.34	0.144	-9187141	2710313