

A Project Paper on
Export Marketing, Customs and Bank Clearing
Operations of Floriculture in Ethiopia

*Submitted in Partial Fulfillment to the Requirements of Master in
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By

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**Export Marketing, Customs and Bank Clearing Operations of
Floriculture in Ethiopia**

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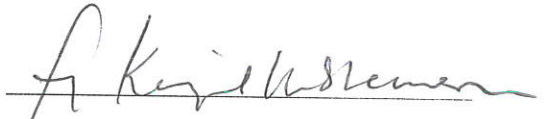
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Statement of Approval

This is to certify that Ato Binyam Zewdie has completed a research project entitled "Export Marketing, Customs and Bank Clearing Operations of Floriculture in Ethiopia" under my guidance. I also approve that his work is appropriate enough to be submitted in partial fulfillment for the requirement for the degree of Master in Business Administration.


Rakesh Belwal (Ph. D)



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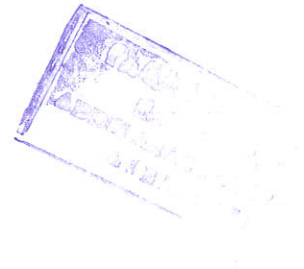
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List of Abbreviations

AWB -	Airway Bill
B/Ex -	Bill of Exchange
CCA -	Customs Clearing Agent
CDAF -	Customs Declaration Annex Form
CDF -	Customs Declaration Form
CIF -	Cost Insurance & Freight
CWO -	Cash with Order
DBE -	Development Bank of Ethiopia
EAL -	Ethiopian Airlines
ECuA -	Ethiopian Customs Authority
EEPA -	Ethiopian Export Promotion Agency
EFTA -	European Free Trade Area
EHPEA -	Ethiopian Horticulture Producers and Exporters Association
EIA -	Ethiopian Investment Agency
GNP -	Gross National Product
GSP -	Generalized-System of Preferences
HDE -	Horticulture Development Enterprise
HOBS -	Home Banking System
IBD -	International Banking Division
IPM -	Integrated Pest Management
L/C -	Letter of Credit
NBE -	National Bank of Ethiopia
QSAE -	Quality and Standards Authority of Ethiopia
R&D -	Research and Development
SGS -	Safety Geprutte Sincherheit-Safety Validated
SNNPRS -	Southern Nations Nationalities and People's Regional State
SWIFT -	Society of Worldwide Inter-bank Financial Telecommunication
TAPS -	Transcontinental Automated Payment Service
UAAIE -	Upper Awash Agro Industries Enterprise
USD -	United States Dollar
WTO -	World Trade Organization



Abstract

A country's economic growth and development greatly depends on the performance of the export sector. The export structure of Ethiopia, like most developing countries, is characterized by domination of few agricultural products such as coffee. As a result of this, the national economic performance corresponds to the fluctuation of income earned from coffee exports. To this effect it is high time for Ethiopia to diversify its export products. Among the most promising export products Ethiopia could supply to the global market is cut-flower. Two decades have elapsed since cut-flower began to be produced in Ethiopia for commercial purposes. However, starting from the production of cut-flower up to the logistics and marketing to the global market, cut-flower exporters are facing many challenges. The main issue of interest in undertaking this study is to investigate the marketing, customs and bank clearing operations of the floriculture sector in Ethiopia. Focusing on these issues is necessitated by the fact that the long customs and bank clearing procedures could have a negative impact on the quality and competitiveness of Ethiopian cut-flowers on the international market. These issues can be addressed by developing a fully automated system of customs clearance and expanding the range of services banks offer to cut-flower exporters. The export marketing procedures that an Ethiopian cut-flower exporter shall follow constitute pre-shipment, packing and shipment, and post-shipment stages. In Ethiopia, the various activities involved in the rose supply chain are highly process intensive consisting of production, logistics and marketing components. The export volume and value of cut-flower account for a small proportion of the total exports of Ethiopia. The major technical, institutional and marketing problems associated with the production and exports of cut-flowers are analyzed in detail. Finally, the paper offers possible solutions to the identified problems.

CHAPTER ONE

1. Introduction

1.1. Background of the Study

A country's economic growth and development/ greatly depends on the performance of the export sector. The export structure of Ethiopia, like most developing countries, is characterized by domination of few agricultural products such as coffee. As a result of this the national economic performance corresponds to the fluctuation of income earned from coffee exports. To this effect, Ethiopia needs to diversify its export products. Among the most promising export products Ethiopia could supply to the global market is cut flower. The cut-flower industry is, without doubt, Ethiopia's most important success story. It is probably the country's best example of identifying a globally competitive niche, exploring natural resources for product diversification, generating employment and attracting foreign direct investment (EEPA, 2006).

The majority of underdeveloped countries are engaged in the export of agricultural products which are mostly primary products. Throughout Africa, Latin America, and Asia primary products export have traditionally accounted for a sizeable portion of individual gross national product. In some of the smaller countries, any where from 25% to 40% of the monetary GNP is derived from the overseas sale of agricultural and other primary products of commodities such as coffee, coca, sugar, palm oil and copper (Todaro 1994).

Due to the fact that Ethiopia is predominantly an agrarian economy, it goes without saying that the lions share of the country's export comes from the agricultural sector. According to the annual report of the National Bank of Ethiopia (NBE) in the 1997 Ethiopian fiscal year (2004/05), being under developed country that heavily depends on agriculture, the structure of Ethiopia's export is dominated by agricultural products from which coffee alone accounted for 41% of the export proceeds of the country. Oilseeds and chat

distantly followed second and third accounting on average 13% and 12% of the total exports respectively (NBE, 2006).

Ethiopia's over dependence on export of a few agricultural commodities could jeopardize its export earnings. Ethiopia's export sector is characterized by over dependence on few agricultural products, with very limited exports of manufactured and semi-manufactured goods. Therefore, launching new and profitable export products is one of the strategies Ethiopia needs to adopt so as to insure economic development.

Among the most promising export industries witnessed in the last decade is the floriculture industry. Ethiopia's favorable climate, vast land, abundant water resources and cheap human labor and its close proximity to the major flower markets in Europe and the Middle East coupled with the attractive government export policy and incentives are making the country a great investment opportunity in Africa. According to the Ethiopian export promotion agency, recently flower export value has shown dramatic rise (EEPA, 2006)

Introduction of cut flowers into Ethiopia for commercial purposes dates back to 1980/81. The first fresh cut flower production was commenced a year latter in 1981/82-crop season. During the Emperor era there had not been any cut flower production. The ex-government had established Horticulture Development Corporation as a government parastatal responsible both for regulation and production as well as marketing of horticulture products including flowers (Sisay, 2001).

Floriculture is one of the fastest growing export industries in East Africa. However, Ethiopia has taken a very minor part in growing flowers even though the natural conditions of the country in some aspects is better than any other country in the region. Despite limited attempts in the late 1990s, a modern floriculture, export-oriented, industry has begun to emerge in Ethiopia only

recently. Reasons for the lagging performance of this sector, despite its recognized potential, were often portrayed as an unfavorable business environment and investment climate and lack of commitment by the foreign direct investors. Recent initiatives by the government to promoting this sector have met with private sector interest. However, the expected take-off has not yet occurred (<http://hotdoes.llnsit.gov./does/pubs.industrytradesummaries/pub3580.pdf>. Accessed on May 6, 2007).

Since the cut flower industry plays an important role in the economic development of the country, it would be necessary to assess the performance of the industry in light of the benefits it gives. Flower has a high value-weight ratio as compared to other agricultural commodities. In addition, cut flower industry provides women employment opportunity as the major operations in floriculture farms are performed by women workers. Above all these, flower requires small area of land and irrigation water under greenhouse and it provides promising prospects for employment creation as the production of flower is heavily labor intensive (EHPEA, 2005)-

The potential for the production and marketing of floriculture products in the world market is limited geographically. Western Europe providing the biggest market of cut-flower in the world followed by Latin America being influenced by the superior quality of cut-roses from the highland of Ecuador increased its exports (<http://hotdoes.llnsit.gov./does/pubs.industrytrade-summaries/pub3580.pdf> .Accessed on May 6, 2007).

All over the world, the floriculture sector can nowadays be characterized as a sector experiencing rapid changes. Due to globalization and its effect on income development in the different regions of the world, we see a growing per capita consumption in most countries. The main consuming countries, except for Germany, are largely self sufficient in flowers. However, due to the comparative advantage Ethiopia has in terms of suitable weather condition and production

costs; it can compete on quality with these countries. Besides the traditional centers of production (USA, Japan, Italy, the Netherlands, Columbia), new production centers are developing. In Latin America and Africa, production is increasing very quickly. Also in Asia, countries like India, China, Vietnam etc... seem to be moving in the direction of more intensive horticulture (Daniel, 2003)

The cut flower production in Africa is highly competitive to any professional grower in the world. Especially with regard to the European growers the competition is becoming fierce. The first cut flower nurseries were established in Kenya in 1969 which originally is a tea and coffee producing country. Nowadays Kenya is the largest African cut flower grower, followed by Zimbabwe, Morocco and South Africa. Other promising countries on the market are Zambia, Malawi, Tanzania, and Uganda (Nico, 1998)

Although there is no sufficient evidence when horticulture started in Ethiopia, available sources point out that commercial horticulture was started in the early 1980s. Even though state farms in the Rift Valley were engaged in the production of flowers on open plots it could be said that this attempt was not generally successful because there was no private sector involvement to promote the sector. As a result of this, the heavy subsidy the sector enjoyed from the government could not prevent it from incurring losses (EHPEA, 2005)

1.2. Statement of the Problem

Two decades have elapsed since cut flower began to be produced in Ethiopia for commercial purposes. However, the floriculture sector is still facing a number of challenges, many of which are also faced by other sectors. There are several participants in export trade such as banks, international transport companies, ports, freight forwarders (Customs Clearing Agents), and Shipping Agents. The involvement of all these parties makes the export trade a very complex undertaking consisting of a chain of administrative and logistical activities.

Starting from the production of cut flower up to the logistics and marketing to the global market, cut flower exporters have many constraints. To begin with, currently there is no independent private or public service providing agency in identifying suitable rose varieties and conducting adaptive trials under different growing conditions. Thus, at present, all the farms conduct their own varietal trials and handle their own plant propagation of successful varieties in order to enable growing on a large scale by different exporting farms. In addition to this, exporters need to go through the lengthy import clearance and SGS (Safety Geprufte Sincherheit-Saftey validated) inspection procedures for their imports of plant materials, fertilizers and other chemicals, requiring up to ten steps. Moreover, obtaining approval for chemical usage takes time making difficult the availability of inputs at the required time in the production process. (<http://hotdoes.llnsit.gov./does/pubs.Industrytradesummarics/pub3580.pdf>. Accessed on May 6, 2007)

In terms of the logistical aspects, several key issues constrain the competitiveness of the cut flower industry in Ethiopia. First, with regard to air cargo, there is a problem of obtaining sufficient cargo space and also of guarantying space on out going flights from Addis Ababa. Secondly, the absence of a handling company which can facilitate access to cargo space and coordinate space between different exporters for maximization of capacity utilization, which is mutually advantageous for the airlines and the exporters. A third issue with regard to logistics is that of packing materials. The absence of independent and larger-scale carton industry constraints on future industry expansion. A forth issue is the lack of cold storage at the Addis Ababa airport, which would enable consolidation of shipments between exporters and enable better coordination. Finally, the lack of leasing or rental of refrigerated transport services raises the investment needs of individual exporters and further constrains the expansion of the industry.

To facilitate customs export formalities, the export cargo must be cleared from the customs before it is loaded on the carrier. For this, there are more than 15 documents that are compulsory needed to be submitted to the Customs Appraiser at the customs house. The Customs Appraiser ensures that all the formalities relating to exchange control, quality control, pre-shipment inspection and licensing have been complied with by the exporter. To this effect, the project aims at diagnosing the problems faced by Ethiopian flower exporters in fulfilling the customs formalities.

For an export trade to be effective, an exporter shall use the services offered by both domestic and international banks. There are complex and lengthy bank clearing activities that the exporter should carry out. The paper aims to pinpoint the problem areas in export bank clearing activities.

Although floriculture is contributing a lot to the country's economic development, its full potential has not been fully tapped partly because of poor transportation facilities, limited access to finance and technical assistance, absence of skilled labor force and low access to external market information in addition to procedural bottlenecks mentioned above.

1.3. Objective of the Study

The main objective of this project is to assess the performance and problems of the newly-introduced industry (floriculture) and to suggest some solutions to overcome these problems.

The specific objectives of this research project are:

1. Assessing the difficulties and problems in floriculture export marketing,
2. Identifying the value chain with respect to floriculture export,
3. Identifying floriculture export-related customs and bank clearing activities, procedures and documentation, and
4. Offering solutions to the identified problems.



1.4. Significance of the Study

The study examines the customs and bank clearing operation of Ethiopian cut-flower exports. Moreover, a cluster analysis of floriculture value chain is made. It also suggests solutions to the existing problems in the sector. In addition to this, it will provide a basis for other researchers in conducting detailed research on the potential contribution of the sector to the nation's economic development.

1.5. Scope and Limitation of the Study

The scope of the study is limited only to the export marketing practices of floriculture in Ethiopia particularly to those exporters located in Addis Ababa. The study is also limited to the available data from selected flower exporters and government bodies.

Besides the limited number of studies on the sector; absence of well organized and documented information is the limitation of the study. Time and financial constraints to produce much of primary data is also the other limitation in this study.

1.6. Methodology

1.6.1. Data Sources and Methods of Data Collection

Data will be collected from both primary and secondary sources. Primary data was collected by both formal and informal interviews held with randomly selected flower exporters and personnel from Ethiopian Customs Authority, Ethiopian Export Promotion Agency and export departments of different banks. Secondary data was obtained by analyzing documents such as yearly reports, Magazines and the Internet.

1.6.2. Sample Design

Random selection of three cut flower exporting companies namely Goldon Rose, ENYI and Ethio-dream flower exporters were employed in the study. Moreover, the following government agencies and floriculture association namely: the Ethiopian customs Authority (ECuA), Ethiopian Export Promotion Agency (EEPA), Ethiopian Investment Agency (EIA), and Ethiopian Horticulture producers and Exporters Association (EHPEA) were included in the study.

1.6.3. Data Analysis

In this study, descriptive method of data analysis was used. Detailed explanation and interpretation of the collected data was also made by presenting the data in the form of percentages using tables, and other suitable forms of data presentation.

1.7. Organization of the Paper

The study paper is organized in five chapters. The first chapter covers a brief introduction of the research project. The second chapter tries to cover the related literature reviews concerning cut flower export trade. The third chapter presents the conceptual framework to be employed in the study. The fourth chapter deals with data collection, analysis and the research findings. Based on the analysis and the findings, the last chapter presents the recommendations and conclusion of the study.

CHAPTER TWO

2. Literature Review

2.1. Export Trade and the Developing World

Developing countries need export trade to generate foreign exchange for their economic development. Production for export in these countries is an important source of income and it constitutes a major portion of the GNP. The capacity of a country to import is a very important prerequisite at the early stage of development. To this effect, the developing nations should secure sufficient export revenue in order to pay for their imports of industrial inputs like capital goods, raw materials and intermediate products.

The growth of many developed nations which were once developing nations is largely attributed to international trade. Through time economists have put greater emphasis on the importance of export trade for economic development. With regard to this Meier says "There is nothing necessarily regrettable about dependency of foreign trade. It is true that in engaging in trade a country puts itself at a mercy of external events: this is a price that any international division of labor exacts. But a country that seeks development must invite foreign influences if it is to succeed. It needs foreign equipment, foreign capital and foreign idea. How can it pay for these equipment without earning foreign currency by exporting?" (Meier, 1976).

Meier also goes on to argue that the importance of foreign trade is particularly great in countries that lack an engineering industry and are obliged to import almost all their machinery. In such countries export may easily become the decisive force on productive investment and on the successful development of the economy. The common experience in under developed countries is not that exports are already a dangerously large element but that they are not large enough to give adequate elbow room in the financing of new investment.

Another development economist Todaro argues "Export trade is an important stimulator of economic growth. It enlarges a country's consumption capacities, increase world out put and provide access to scarce resources and world wide market for products without which poor countries would be unable to grow. Trade helps countries achieve development by promoting and rewarding the sectors of the economy where individual countries posses a comparative advantage whether in terms of labor efficiency or factor endowments." (Todaro, 1994).

The following paragraphs discuss a variety of trade theories and causes of export trade proponed by scholars in the field. Among the theories to be discussed are Merchantilists trade theory, theory of absolute advantage, theory of comparative advantage, Hechser-Ohlin neoclassical factor endowment trade theory, trade theory based on technological gap, and Vent-for-surplus or availability approach trade theory.

Merchantilists Trade Theory

According to the Merchantilists school of the 17th century, for a nation to be rich and powerful, it has to export more than its imports in order to have export surplus. They appeared in Europe during 1500-1800 advocating nation building and having favorable trade balance. By nation building they meant to have a strong country of wealth. The phrase favorable trade was to mean exporting more than importing. A nation that was able to keep trade surplus by promoting export and restricting import was regarded as wealthy, and the level of wealth was measured in terms of Gold and Silver (Carbaugh, 1995).

Merchantilists also believed that one nation could gain only at the expenses of another nation and they advocated strict government control of all economic activities and trade. However, the argument of zero sum game i.e. a situation where one gains and the other group loses has become invalid. It was possible

to have trade that can benefit both trading parties. In addition, free trade would cause world resources to be utilized most efficiently and would maximize the countries welfare who participated in the trade (Salvator, 1990).

Theory of Absolute Advantage

Unlike the Merchantilists, Adam Smith started with the simple truth that for two nations to trade with each other voluntarily, both nations must gain. According to Smith, trade between two nations is based on **absolute advantage**. He was arguing that movement of goods across nation should be based on cost differences; a nation has to specialize in the production of a commodity in which it had an absolute cost advantage. By absolute cost advantage, it was to mean producing a given commodity at lower cost in comparison to another country. Cost of production among nations is different due to differences in factor endowments. These endowments include raw materials, labor, capital and land (Carbhangh, 1995).

When one nation is more efficient than another in the production of one commodity (i.e. has an absolute advantage) but less efficient than the other nation in producing a second commodity (i.e. has an absolute disadvantage), then both nations can gain by specializing in the production of the commodity of its absolute advantage and exchange part of its output with the other nation for the commodity of its absolute disadvantage. Through this logic and process resources are utilized in the most efficient way and the output of both commodities will rise (Salvator, 1990).

Theory of Comparative Advantage

The previous theory ignored the possibility of beneficial trade. Capitalizing on this drawback, David Ricardo came up with his famous law of **comparative advantage**. His theory states that even if one nation is less efficient than the other nation in production of both commodities, there is still basis for mutually beneficial trade. The first nation should specialize in the production and export

of the commodity in which its absolute disadvantage is smaller and import the commodity in which its absolute disadvantage is greater. The second nation also could produce and export the commodity in which it has greater absolute advantage and import the commodity which has lesser absolute advantage (Salvadoe, 1990).

The theory of comparative advantage is rejected by some scholars primarily because of its assumption of labor theory of value which states that the relative price of a commodity is based solely on its labor content. However, the law itself is not completely rejected as it is still popular. Meir puts it like this: "... the principle of comparative advantage has held pride of place in economic thought since the English economist David Ricardo enumerated it in 1817." (Meir, 1995).

Though the theory of comparative advantage is still valid, the argument of Ricardo is invalid, because his assumption about labor is not acceptable today. First, labor is not the only input in production. Second, labor is not used in a fixed proportion. Finally, it has no uniform quality (Salvadoe, 1990)

Another theory of trade based on the law of comparative advantage on the opportunity cost theory rather than on the labor theory of value was introduced by Haberler. According to the opportunity cost theory, the cost of a commodity is the amount of the second commodity that must be given up to release just enough resource to produce one additional unit of the first commodity. Here no assumption is made that labor is the only factor of production or that labor is homogenous. The nation with the lower opportunity cost in the production of a commodity has a comparative advantage over the second commodity. This theory indicates that a nation should export the commodity with lower opportunity cost and import commodity with higher opportunity cost. Both nations will gain irrespective of the other (Salvador, 1990).

Heckscher-Ohlin Trade Theory

An extension of Ricardo's trade theory is the Heckscher- Ohlin neoclassical factor endowment trade theory. According to this theory the basis for trade arises not because of inherent technological differences but in labor productivity endowed with different factor supplies. Given different factor supplies, relative factor prices will differ. It was this difference in factor prices that was the justification for trade across the nations. For example, labor will be relatively cheaper in labor abundant countries while it will be relatively expensive in labor scarce nations. Hence, a nation had to specialize and export a commodity that used a nation's relatively abundant resource intensively, and had to import a commodity that used a nation's scarce resources intensively (Todaro, 1990).

Trade Theory Based on Technological Gap

This theory states that trade between nations is possible when there is a lag between the introduction of a new technology in one country and the adoption of this technology else where in the world. Demand lag is a time lag between the introduction of new products in one country and the emergence of demand for that good in another nation.

In this theory we have two conditions. First, if started demand lag is longer than imitation lag, producers in the imitating country could adopt the new technology before the consumers demanding this new product. With this condition, innovation would not generate trade among nations. The second situation is when the imitation lag is longer than the demand lag. In this condition, the imitating country would import the new product at least until it is able to adopt the new technology (Sodersten and Reed, 1994)

Vent-for-Surplus Trade Theory

The vent-for-surplus or availability approach trade theory, especially applicable in less developed countries, states that a country often has some commodity for

which domestic demand is already satisfied and which it can readily export or that idle resources are at hand which can be used for export purpose once trade is opened up. In this regard Todaro says "... opening of world markets to remote agrarian societies creates opportunities to make use of under employed land and labor resources and to produce greater outputs to foreign markets." (Todaro, 1994).

This approach has mostly been used for explaining how colonial counties were drawn into trade. At the heart of it the idea that a country has some 'free' commodity or some unused resources which it can use to generate export earnings. In addition, the theory says that a country exports a commodity because it has rich deposit of that commodity. For example Saudi Arabia exports oil because it has rich oil deposit (Sodersten, 1980).

2.2. Overview of the World Cut-flower Industry

Horticulture industry mainly consists of the production of fruits, vegetables and flowers. Among these, currently there is a growing demand for cut-flowers across the world. There demand is moving beyond the use for special occasions and becoming a more regular decorative consumption goods for middle and upper income groups (<http://www.intracen.org/brt/ppcutflower.pdf>. Accessed on June 2, 2007).

Cut-flower is used to express personal feelings such as love, sorrow and dissatisfaction. Apart from this, it is customary to use it as daily decorative good among upper and middle-income groups. This increases the demand for cut flowers across developed countries of North America and Asia (Daniel, 2003).

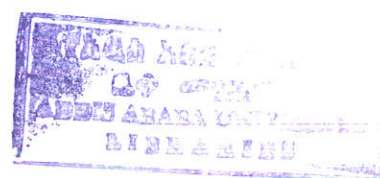
Over the past quarter century international trade in cut-flower has been the most dynamic and rapidly growing dimension of international horticulture trade. International market for floriculture products is getting larger and large.

showing dynamic changes both on demand and supply sides. The former style of supply driven market now becomes demand driven with increasing specific and fickle consumer preferences. Today's consumers have taken an increased interest in certain environmental consequences, phytosanitary residues, and social considerations of manpower. The industry is under pressure of the demand with important regulations hardening from year to year (Daniel, 2003).

In many countries flowers are grown for commercial purposes for domestic markets, although the size of individual markets or its development are difficult to assess given the lack of consumption and production data. In general, we can classify countries into four groups. Producers in the first group of countries (The US, Japan, India and China) have in common that they mainly, if not exclusively, produce for their own market. For example, in Japan 95% of demand is met by local producers while in India and China purchasing power is too low for sizeable imports to take place and quality is too low for sizeable exports to develop.

A second group of countries are those which have sizeable markets where imports satisfy most demand. Germany is the typical example, with imports making up 70% of total demand. A third group, which includes Columbia and Kenya, is opposite of the second; they have a small home market but a large volume of exports. Columbia is typical of this group with export amounting to 95% of production in recent years. Finally, there is a group with a large home market combined with a large export share. The Netherlands is the best example here (<http://www.ilo.org/public/English/dialogue/sector/pagers/ctflower/13gel.htm>. Accessed on June 8, 2007)

World cut-flower markets are growing at current rate of 6-9% per dollars. The total consumption in 1985 was about 12.5 billion dollars. In 1990, the consumption rose to about 25 billion dollars. In the nineties, the growth continued. In 1995, the total world market was about 31 billion dollars. Taking



developments in production, imports and economic variables into account, consumption of cut flower is to be expected to rise to 35 billion dollars. In international terms, the consumption of cut flower is concentrated in three regions, Western Europe, North America and Japan (CBI, 2002).

2.3. Historical Evolution of Cut-flower Industry in Ethiopia

Introduction of cut flowers into Ethiopia for commercial purposes goes back to 1980/81, which is now more than twenty years ago. There had not been cut flower production during the emperor era. The ex-government had established horticulture development corporation as government part responsible both for regulation and production even for marketing of horticulture products including flowers. During the trial and adaptation periods about 20 species of different cut flowers were introduced into the country from abroad. Some of the species introduced include Carnations, Gladiolus, Delphinium, Morucella, Atriplex, Allium, Statice, Euphorbia, Cartuamus, Aminagus and Dill.

Based on the trial results, some species and varieties were selected and recommended for commercial production. But some of the recommended species and varieties were discarded from production shortly after and others lately. In general, recommendations and selections for commercial use were not made through formal trial regulations. This had created discarding of species from the production line because of failures observed in subsequent production periods (Sisay, 1992).

Among the reasons sited for subsequent discarding in different years include:

- Poor (decline) in yield performance;
- High price of planting material;
- Susceptibility to diseases and nematodes;
- Weather problems;
- Lack of demand and non-profitability;
- Difficulties in management;

- Absence of proper production and post harvest handling technologies, etc.

Production and export of cut flower in Ethiopia was not established with well planned main objective of profit seeking but foreign exchange earnings. As a result of this, the industry was one of the highly subsidized sub-sectors during the previous regime. Command based ambitions in outlook of previous government officials and at large absence of private sector driven initial start-ups and in subsequent production and export operations is believed to be the root cause of flaws in failures faced by the industry in the past (Sisay, 2000).

Ethiopia entered the world floriculture market without the introduction of necessary and adequate modern technologies, facilities and manpower. It is hardly possible to say that there was proper and efficient matching of production and marketing activities. Moreover, absence of efficient management and supervision, shortfalls made at trial and adaptation stages of species, above all missing the engine role of the private sector coupled with the aforementioned reasons-brought about unsatisfactory results.

Even though some experiences were gained in the past twenty years, the contribution of the industry to the country's growth has been insignificant. Decline both in land dedicated and production fluctuation in land productivity were characteristic feature of Ethiopian floriculture industry.

With regard to developments since 1992, no basic upturn has been circumvented until recently despite changes and policy reform measures taken by the government. Before 1999, there were only two private producers and two long-established state owned enterprises operating in the floriculture industry. All these four companies' production has been dominated by open field flowers of Allium and Statice with a very small plot under green house at Meskel Flowers P.L.C. (Sisay, 2001).

Table 1: Approved New Fresh Cut-flower Projects from July, 1992-October, 2001

No	New Flower Project	Year of Approval	Current Status
1	Meskel flower	1992	Operational
2	Ethioflora	1993	"
3	Dereje Taye	1995	Pre-construction
4	Eklegzi Tekie	1996	"
5	Alex enterprise	1996	"
6	Positive vibration	1996	"
7	Ethiodream	1997	Implementation
8	Golden Rose Agro Farm	1997	Operational
9	Flora Agriculture Estate Plc. in SNNPRS	1999	Pre-implementation
10	Menagesha flower	2001	"
11	ENYI General Business Plc.	2001	"
12	Speranza Roses	2001	"
13	Ethio-coffee and tea plantation and marketing Plc. in East Shoa	2001	"
14	Ethio-coffee and tea plantation and marketing Plc. in West Shoa	-	

Source: EIA, Oromia Investment Bureau, SNNRPS Investment Bureau Cited in Sisay (2001)

The number of projects approved was steady with one project a year from 1992 to 1995. Then in 1996 the number of projects increased to three and declined to two and one in 1997 and 1999 respectively. Again it raised to five in 2001 until October. Generally, it is featured by fluctuations starting from 1995 to 2001.

However, starting from the year 2000 the number of projects that are approved per year has been increasing tremendously as compared to the previous years. Even starting from the year 2002 it is common to observe one or two approved projects per month according to the information (unwritten) of the Ethiopia export promotion agency. As the number of projects of cut flower is increasing,

the job opportunity that the sector creates is also increasing. Until October, 2005 there were about 181 projects that have taken investment approvals. From these 181 projects 134 were foreign and 47 were local owned. The projects were owned by 124 investors who have a capital of above 5.5 billion birr. The distribution of these projects is characterized by high concentration in the Oromia region, which contains about 127 of the total projects. The rest of the projects are found in Amhara and SNNPRS regions. Out of the 181 projects 15.5% were on pre-construction basis (<http://www.waltainfo.com/facts/2006/oct/flowerfact.htm>. Accessed on May 6, 2007).

The above mentioned distributional situation of the cut flower projects indicates that the Oromia region is characterized by large number of cut flower projects as compared to Amhara and SNNPRS regions. This seems because of mainly the weather condition that the region has although the region is also advantageous in terms of proximately to the airport and access to road, which are necessary for cut-flower projects, as compared to Amhara and SNNPRS regions.

Table 2: General Status of Approved Cut-flower Projects until October, 2005

Investment status		Types of Investors		
		Local	Foreign	Total
Operational	Number of projects	10	18	28
	Capital ('000 Birr)	272,572.19	710,845.19	983,420.38
	Permanent workers	1,732	3,688	5,420
	Temporary workers	1,051	2,615	3,666
Under Construction	Number of projects	2	27	29
	Capital (000 Birr)	29,453.2	1,059,126.47	1,088,579.67
	Permanent workers	230	8,636	8,866
	Temporary workers	200	6,272	6,472
Under Preconstruction	Number of projects	35	89	124
	Capital (000 birr)	1,081,841.96	2,367,602.091	3,449,444.051
	Permanent workers	4,802	19,440	24,242
	Temporary workers	5,710	12,856	18,566
Total number of projects		47	134	181
Total amount of capital (000 Birr)		1,383,870.76	4,137,573.751	5,521,444.5
Job opportunity		-	-	-
Total permanent workers		6,764	31,764	38,528
Total temporary workers		6,961	21,743	28,704

Source: Computed from the Data of EIA

As it can be observed from the above table the cut flower industry is playing pivotal role in the creation of job opportunity for those who were looking for a job. This indicates that the sector has a big role in reducing the highly diversified unemployment in the nation. Table 2 shows that when all the projects become operational they are expected for creation of job opportunity for 38,528 permanent and 28,704 temporary workers.

The table also shows that greater portion of the projects are foreign owned. This indicates that the country is a good place in many ways for investment on the cut flower production. And local investors are still not doing well in the investment participation on cut flower industry as compared to foreign

investors although they have the advantage in many aspects including costs. According to the information obtained from the EEPA the state owned farms are not doing well in many perspectives as compared to the private owned ones especially when compared to Golden Rose Agro Farm despite the long period of time they have stayed in the sector relative to the private ones.

2.4. Existing Status of Floriculture in Africa and Ethiopia

The cut-flower production in Africa is highly competitive to any professional grower in the world. Especially with regard to the European growers the competition is becoming fierce. The first cut flower nurseries were established in Kenya in 1969, which originally is a tea and coffee producing country. Nowadays Kenya is the largest African cut flower grower, followed by Zimbabwe, Morocco and South Africa. Other promising countries on the market are Zambia, Malawi, Tanzania and Uganda (Nico, 1998).

According to Nico (1998) bulk flower production is intended primarily for export to the European market, although there is increasing export to the Asian market as well. "The quality of the flower is very good at the time of harvesting but the product loses quality due to poor transport conditions. Africa used to produce primarily carnations, roses and summer flowers. Nowadays, the growing of roses is increasing, because higher prices can be obtained on the export markets. The assortment is focused on the European market because high transportation costs oblige growers to strive for a high value per kilogram" (Nico, 1998).

Although there is no sufficient evidence when horticulture started in Ethiopia, available sources point out that commercial horticulture was started in the early 1980s. Even though state farms in the Rift Valley were engaged in the production of flowers on open plots it could be said that this attempt was not generally successful because there was not private sector involvement to

promote the sector. As a result of this, the heavy subsidy the sector enjoyed from the government could not prevent it from incurring losses (EHPEA, 2005).

Starting from 1992 and after the government adopted the free economy system as the main engine of economic development, many private farms started to engage in floriculture production. Yet due to little attention given to the sector, progress could hardly be registered at that time. However, the increased interest in private farming has recently attracted private investors (particularly in the last three years), horticulture is actually under going a revival (EHPEA, 2005).

Horticulture exports from Ethiopia-particularly roses are growing rapidly and are seen as a success story in Ethiopia's efforts to diversify exports and reduce poverty. However, the sector remains fragile and needs continued donor support if it is to continue to meet the high expectations of the government of Ethiopia and other stakeholders with respect to its ability to provide a substantial increase in employment opportunities especially for women, alongside a sizeable and diversified source of foreign exchange earnings (EHPEA, 2005).

Most recently, more number of flower projects are springing up particularly in highland rose production and export investment activities. Rose flower production encourages the booming future prospects of Ethiopia's floriculture industry. But it should be noticed that the country's floriculture industry is still at the nascent stage (Sisay, 2001).

According to Sisay (2001), within and outside the area of the existing operational cut flower farms, facilities and infrastructure conditions have the following features.

Cold stores:- All export crop producing farm have their own cold store at farm. Elfora Agro Industry built a new cold stores at Bole International Airport and expressed its readiness to rent the excess cooling space to other exporters.

Power Generator:- For efficient horticultural production and marketing process, continuously maintained power supply is necessary. Those farms using electric or diesel water pumps for irrigation and for cooling the product need stand by power generator to use at the time of blackouts. Merti Jeju farm of UAAIE, Ethiopia, Golden rose and both Zwai and Ghibe farms of HDE have standby diesel power generators.

UAAIE – Upper Awash Agro Industries Enterprise

HDE – Horticulture Development Enterprise

Road: All farms have road access to the nearby towns and to the capital Addis Ababa. Main asphalt road from Addis to Metehara and to Awassa is a very good opportunity. Similarly, on the Addis Ababa Jimma road, asphalt road from Addis to Tefki is completed before a year ago and Golden Rose has no problem. The road which leads to Wollega is under conduction. Most recently approved rose projects are located on this road and they will be more beneficiary when it is completed. Generally most of the projects including recently approved ones are found on the area where there is access to road. However, there are some projects which face the problem of access to road.

Refrigerated Truck and Inland Produce Transport

Etfruit provides refrigerated trucking service locally from farm to bole International Airport and its major customers are UAAIE, HDE and Ethioflora. Golden Rose uses its own refrigerated trucks for transporting its produce. Etfruit charges producers based on agreement reached with them for transportation service.

Packaging Materials

Ethiopian export flowers are packed by locally manufactured corrugated cartons. The quality and strength of the cartons available in the local market

have shown improvement in the recent time after the establishment of Burayu, Oxford and other packing material factories. Ethio pulp and paper factory has been main supplier of cartons to the floriculture industry for a long time with a lot of complains from exporters on the strength of the material.

Air Freight Cargo Service and Charges

The existing major cargo transport service provider for horticultural products is Ethiopian Airlines. Other airlines like Lufthansa operate in transporting cargo to European markets.

Ethiopian is operating two direct flights a week to Amsterdam (The Netherlands) where significant proportion of flowers of UAAIE, HDE and Ethioflora are sold through auction.

At present air freight charge of Ethiopian Airlines is determined annually through an agreement with Etfruit on behalf of producers in the presence of them and other concerned government institutions like EEPA (Ethiopian Export Promotion Agency). Companies like Golden Rose sign agreement by themselves taking into account the consensus reached at the national level.

Air freight charge is sky rocketing from time to time mainly because of high surge in fuel prices and lack (uncertainty) of South bound cargo at the market destinations of Ethiopian horticulture products. During 1999/2000 for example, there was 7,437 tones available space for transporting South bound cargo but only 3,556 tones (48%) of its capacity was utilized which is insufficient to cover its operating costs. This implies that as the actual load is lower than the maximum capacity, the cost per unit increases. In spite of all these, Ethiopian exporters have relative advantage of transportation cost (see the table below).

Table 3: Air Freight Charges Comparison of Ethiopian with other Competitor Countries in Flower Export

Destination City	Addis Ababa (liner)	Departure City			
		Bogota	Nairobi	Harare	Tel Aviv
Europe Estimate	-	-	-	-	-
Franskfurt	1.00	-	1.60	2.10	-
Amsterdam	-	-	1.60	2.10	-
Paris	-	-	-	2.10	-
Ostend	0.98	-	1.60	2.10	-
Rome	1.00	-	1.60	2.10	-
Copenhagen	1.25	-	-	-	-
London	1.25	-	1.60	2.10	-

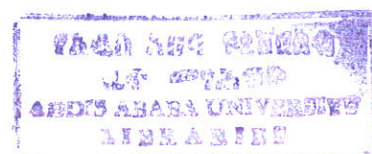
Source: Ethiopian Airlines, Golden Rose Agro Farm Cited in Sisay (2001).

As we can see from the table, compared to all other countries sited above except Israel, air freight charge rates offered by Ethiopian Airlines are cheaper. For example, the charge rate from Addis Ababa to Rome is less by 60% and 110% than Kenyan and Zimbabwēan charges to the same destination.

2.5. Difficulties and Problems in Export Marketing

Export marketing is restricted to some extent due to certain difficulties or drawbacks such as.

- **Difficulties of Distance:** export markets are spread over long distance. Naturally, the exporter will find difficulty in catering to long distance markets. Longer the distance, the more will be the transport of goods to the customers.
- **High Risks and Uncertainties:** export marketing is subject to high risks and uncertainties. The risks may be both political and commercial. The political risks involve government instability, war, civil disturbances, etc. The commercial risks involve insolvency of the buyer, protracted default on the part of the buyer, and so on. However, it is possible to overcome some



of these risks through purchasing insurance policy from insurance companies.

- **Diverse Languages, Customs and Traditions:** the export markets differ in languages, customs, and traditions. The exporter may not be able to cope up with these diversities. Therefore, the exporter has to be selective. He/she should deal in only such markets where he/she can easily handle or overcome such differences or diversities.
- **Different currencies, Weights and Measures:** different countries in the world have their own system of weights and measures. Some countries may measure in pounds, and others in kilograms, or in some other measures. Again, every country has its own currency. Each currency has different exchange rates. The currencies of some countries are subject to heavy fluctuations in exchange rates.
- **Customs Formalities:** there are a number of customs formalities in the export of goods from one country to another. Again, there are Customs formalities for the buyer, i.e., Customs formalities of the importing country.
- **Foreign Exchange Regulation:** export marketing is subject to foreign exchange regulations. For instance, in Ethiopia, all flower exporters have to give declaration to the National Bank of Ethiopia (NBE) that they will realize the full value of exports within a period of six months.
- **Problems for Non-members of Trading Blocks:** the countries, which are not the members of powerful trading blocks like NAFTA, EEC, ASEAN, etc., do face problems while dealing with the member countries of the trading blocks. The trading blocks try to reduce or if possible eliminate trade barriers on the member nations. However, they impose common external trade barriers on non-members nations.
- **Double-faced Competition:** exporters in the international markets have to face strong challenges from the double-faced competition. The competition is more severe and acute in the international market. There are direct

competitions from similar products and indirect competitions from substitute products.

- **Trade Barriers:** export trade is subject to a number of tariff and non-tariff barriers. Various importing countries do impose a variety of taxes and other formalities. This creates difficulty for the smooth flow of goods and services among countries. However, efforts are now being made at WTO to reduce and simplify a number of trade barriers.
- **Documentation Formalities:** there are a number of documents to be prepared in export trade. In Ethiopia, for example, there are more than 15 documents that are compulsory needed to facilitate Customs export formalities (Biruk , 2005).

2.6. Measures for Tapping Foreign Markets

Export promotion depends upon the measures to be effectively implemented which are introduced by the government. What is more important is to tap the foreign markets or capture the foreign markets.

It can be done by several ways. However, the following two ways are important to tap the foreign markets:

- I. Trade Delegations
- II. Trade Fairs and Exhibition (Trade Festivals)

I. Trade Delegations

Trade delegations are sponsored by one's country Ministry of Trade, Chamber of Commerce, Trade Associations, etc. Trade delegations become necessary to explore the export marketing opportunities and to promote interaction with importing community and governments. Trade delegations are also necessary to tackle the problems arising in the export venture.

Trade delegations are sponsored by concerned parties of a country to survey the markets of many countries to collect useful information and explore the possibilities of products to be exported and promote interaction with the importing community and government

Trade delegations help in projecting the image of a country's floriculture industry and thereby promoting its image in the world. The problems which may be purely technical and procedural can be sorted out by the delegation.

Roles of Trade Delegation

Trade delegations play a significant role to achieve the following objectives:

- i. Study the product needs of particular market
- ii. Compare a country's products with the product of potential foreign competitors.
- iii. Analyze competitors' methods of exports and their pricing policies
- iv. Obtain general information about import restrictions, distribution methods, buyers' general behavior and promotion technique.
- v. Interact with government authorities and business communities for useful information and measures to be adopted for mutual benefits of the countries.
- vi. Arrange trade fairs and exhibitions abroad.
- vii. Ascertain proper advertising media abroad and display means and find out new prospective distributors.
- viii. Familiarize the product abroad.

II. Trade Fairs and exhibitions

Trade fairs and exhibitions play very significant roles in the cut-flower export marketing. They are organized by the home government fully or sometimes by the home government partly in collaboration with the foreign governments. Trade fairs and exhibitions are organized particularly to create awareness for the export of non-traditional products.

As it is observed non traditional products are products such that for some there is no enough awareness and in many cases there is no awareness at all. Trade fairs and exhibitions in such cases are very much helpful. Friendly countries come together and hold these fairs and exhibitions.

Trade fairs and exhibitions both attract the visitors. National positions are often constructed where a fair idea of price, quality and availability of product is made available to the prospective buyers. Both build up image of product and country in the minds of prospects. Trade fairs and exhibitions serve as trade festivals where exporters and importers around the world come together. They create an opportunity of direct interaction between the exporters and importers. Latest knowledge of technological improvement in their respective fields can be known from such festivals.

These festivals are regularly organized in different parts of the world. For example in Ethiopia's Chamber of Commerce has also organized such festivals in Ethiopia and abroad for non-traditional items of exports. ANUGA food fair at Cologne (Germany), Hanover Engineering Fair, Sport Goods Fair held in USA are the best examples of such festivals.

Use of Trade Fair and Exhibitions

International trade fairs and exhibitions are now becoming increasingly popular. These are the publicity tools where goods are display by the producers in an attractive manner in order to catch the imagination of the visiting public and attract them to get interested in the objects or goods displayed. They help reach the public which may not be reached otherwise.

In trade fairs and exhibitions, generally, the goods are displayed, with a view to create the demand on the market. Their working is demonstrated if the goods are of technical nature. Generally, goods are not offered for sale but they are only displayed. However, sometimes consumer goods of small values are sold there on cash terms.

Though fairs and exhibitions had been the medium of trade since time immemorial, their use, popularity and number have increased tremendously now-a-days. Trade fairs are general and large fairs, while exhibitions mean specified fairs or 'solo' or 'company' exhibitions.

To put in a nut shell, the benefits of trade fairs and exhibition can be generalized as follows:

- i. They play important role in trade promotion where media advertising is absent.
- ii. They bring together potential importers and exporters of the world at a convenient a place and facilitate trade.
- iii. They provide opportunity to popularize the product and to interact with potential exporters and importers.
- iv. The trends of development in general and of industry in particular can be known.
- v. They enable participants and visitors to know about business opportunities, government policies, and assistance packages.
- vi. They provide scope for foreign investment in the trade and business.
- vii. They facilitate gathering of competitive information.
- viii. They help manufactures in improving their sources of technology, materials, customers and suppliers.
- ix. They generate business and business enquiries in general.
- x. They help importers to know their sources of supplies.

Types of Fairs

1. General fairs: all types of goods-consumer as well as industrial-are exhibited in general fairs. The participants come from domestic and international markets. Separate pavilions (i.e. exhibition areas) are set up for each nations and domestic manufacturers or for a group of national or international manufacturers. Exhibits of one group are displayed in one pavilion. Such exhibitions and trade fairs are visited by business firms as well as general public. They are medium of disseminating information or to make the public aware of the newly manufactured product which is about to enter the market.

2. Specialized fairs: these fairs and exhibitions are highly specialized in the sense that only specific products are displayed there. For example, the Auto Fair that was held at the Addis Ababa Exhibition Center in June 2005: This fair was intended only for trade and industry and for the general public as well. Their main purpose is not only to create deals immediately but also to have first hand knowledge of technical developments in auto's manufacturing industries in various countries. Specialized fairs help to identify business partners on a long term basis or to get ideas for product development and planning. They also help improve trade relations.

Types of Exhibitions

1. Solo exhibitions: these are organized by the Government of a country. Generally, the Export Promotion office or any other government agency organizes it in another country where the market prospects of its export products are bright. The exhibitions may be specialized where only a limited number of products that are important for exporting country.
2. Company exhibitions: such an exhibition is organized by an exporting firm in another country to exhibit its own products. It may be open for traders or for both traders and consumers.

Both these types of festivals are capable of removing misconception and negative attitude to the potential importers about the products, their technology, design, packaging, etc, they conceive. Direct sales can be booked in these festivals. It is found that these festivals fetch on the spot orders and on the spot sales (Biruk , 2005).

CHAPTER THREE

3. Conceptual Framework for the Project

The conceptual framework to be employed in this study focuses on export marketing practices as well as the customs and bank clearing operations of Ethiopian floriculture exporters. Among the issues to be discussed are the facilitators of international trade, the different functions of export marketing management and cut flower export-related customs and bank clearing procedures and documentations.

3.1. Export Marketing Practices

Exporters can be natural or legal persons that are engaged in exporting goods from one's country to another across the national boarder of one or more countries. They deal with their business partner in other country who is physically apart in thousands of kilometers. In most of the cases these two parties are not known intimately to each other. In addition to that they may come from different cultures; religion; political and legal background; and speak different languages. Despite such barriers they transact business dealings in hundred of millions in different currency in each transaction. Such dealings would have been hard to think, had there not been facilitators of international trade playing an intermediary role.

3.1.1. Facilitators of International Trade

There are several participants in facilitation of international trade. An exporter can draw on a greater number of professional services-bankers, transporters, freight forwarders, and insurers-for advice and assistance. The following diagram depicts the parties that are among the active participants of international trade.

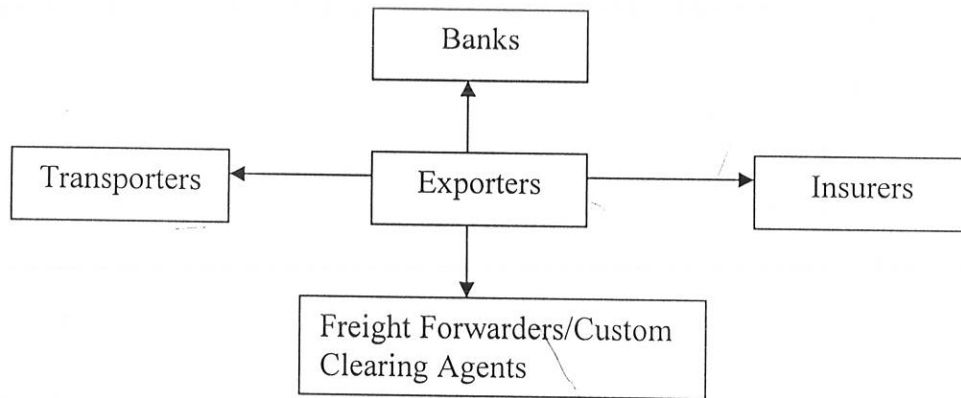


Figure 1: Facilitators of International Trade

Owing to commercial banks' vital role in export-import business activity, the exporter once conclude the sales contract with his/her counterpart importer, arranges the delivery of documents to be given to exporting bank. The exporter's bank, in turn, scrutinizes the documents and gets confirmation from its correspondent importer's bank. If there are no discrepancies in the content of documents, the exporter's bank will effect payments to the exporter outright.

There are five modes of transport involved in the international transportation of goods. These modes include Water/sea transport, Railroad transport, Motor vehicle/Road transport, Air transport, and Pipelines transport. Owing to the perishability of cut flowers, the choice of transportation mode has a great impact on the industry competitiveness. Hence, air transport provides the fastest, and the most expensive means of transport.

For the smooth flow of customs clearing activities in Ethiopian customs Authority/House, freight forwarders or Customs Clearing Agents (CCA) play critical roles. Freight forwarding is the representation of a consignor or consignee locally or internationally in fulfilling customs, port and other formalities for import and export cargo. The freight forwarder is a person who is licensed to carryout freight forwarding. In other words, freight forwarder refers to a service provider working from his/her premises and taking care of a range

of operations relating to his/her clients' goods: transshipment, handling, storage and various commercial and administrative formalities. He/she is generally also a customs broker.

The exporter must take appropriate policies in order to insure risks as per the terms of sales contract such as CIF (cost insurance and freight). The insurance policy is a legal document between the policy holder and the insurance company. It can be produced in the court of law in case of any claim.

3.1.2. Functions of Export Management

Floriculture export management is a comprehensive activity and includes a variety of functions which an export manager or a cut-flower export organization has to conduct. Such functions are directly and indirectly related to export operations of a business unit. Broadly speaking, export management involves five management functions. They are as follows:

- Planning,
- Organizing,
- Team building,
- Execution, and
- Control.

It may be noted that in every management function the above mentioned activities are involved. In export management, such activities are directly related to exporting of goods abroad. Here, it is possible to mention some important functions of export management. Some functions are as noted below:

- To conduct marketing research in order to find out market potential in different countries so that export efforts will be concentrated on certain commodities and on certain foreign markets which are highly promising. Thus, assessing overseas export opportunities is one important function under floriculture export management.
- To decide export objectives of the organization and to prepare comprehensive short term and long-term plans and programs to achieve

such well defined objectives and targets. In addition, to prepare action plan for promoting exports. This function can be treated as planning function under export management.

- To introduce product development and to procure or manufacture quality goods as per the specific needs of foreign markets. This function is to be conducted with the co-operation of cut-flower production farms and Research and Development department (R & D) of the export organization.
- To prepare and execute long-term export promotion programs for the flower varieties with promising overseas demand.
- To fix up the prices of exportable farms with proper care and caution and also to find out new designs for packaging of cut-flowers to be exported.
- To look after the advertising and publicity abroad and also to maintain effective communication with prospective buyers abroad.
- To look after prompt execution of export orders received through suitable packaging, transportation, documentation and invoicing and thereby to avoid inconvenience to foreign buyers.
- To analyze the export policy of the government and also the rules, regulations and procedures connected with cut-flower the export trade and foreign exchange.
- To look after the opening of new branches/offices abroad in order to promote exports and also for providing efficient services to foreign buyers.
- To face the challenges of international competition.
- To evaluate correctly the export incentives, facilities and concessions offered by the government from time to time and to introduce suitable steps for securing the benefits of such incentives, facilities and concessions.
- To look after the accounting and financial aspects of export transactions and thereby to make export transactions profitable to the company and to motivate employees through monetary and non-monetary incentives and finally to develop human relations in the export organization. In other

words, to build a good team of personnel so as to achieve export targets fixed from time to time. (Biruk , 2005)

3.2. Cut-flower Export Customs Clearing Operations

Federal Negarit Gazetta in its 4th year issue no.46 under proclamation no. 37/1998 defined Customs clearance and customs clearing as follows:

“Customs clearance means a process of fulfilling customs’ formalities for import and export cargo on behalf of consignor or consignee within customs station.”

“Customs clearing is a system set by the government to make importers and/or exporters or individual and/or groups pay revenue taxes and follow legal procedures when they sell/take out goods to abroad and buy/bring goods from abroad.”

3.2.1. Export Customs Clearing Procedures

An Ethiopian flower exporter for effective clearance of the cut flowers from the Ethiopian Customs Authority needs to follow the following three stages:

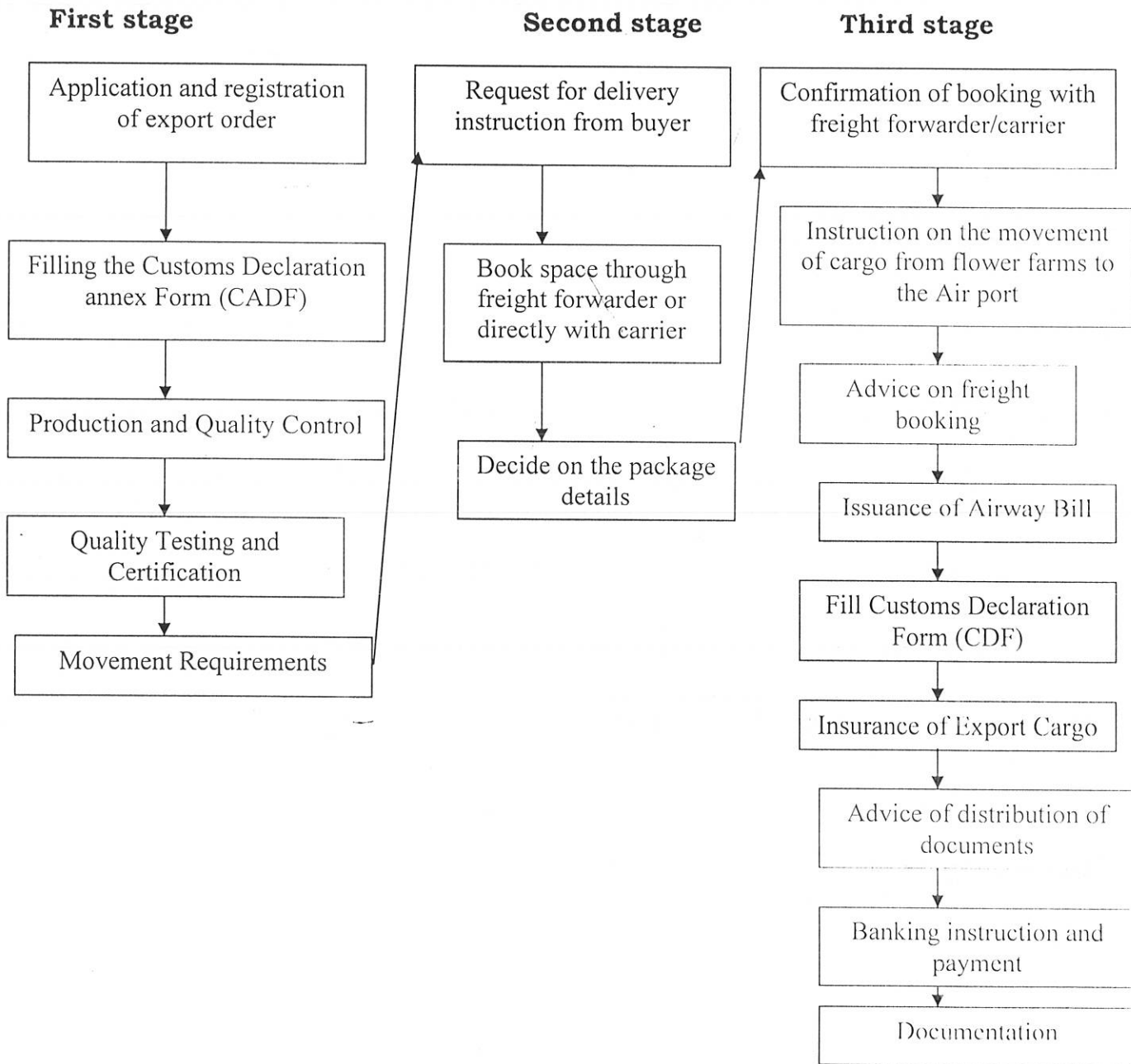


Figure 2. Export Customs Clearing Procedures

First Stage

This is the stage where the decision to accept the order is made

- a. Application and Registration of Export order: at this stage an Ethiopian flower exporter will normally need to produce internal instructions on the “work”: production and preparation of the cut flower for the export order. Paper work at this stage will include a letter, fax or telex-order acknowledgement to the buyer. Here, the exporter should:
 - I. Check and be sure that the export license is still valid
 - II. Register the export order with a commercial bank that will in turn issue the export permit for the particular consignment. Under the new regulations all exports except coffee have to be registered with any of the commercial banks, only the registration for coffee exports remains at the National Bank of Ethiopia.

When the export contract is finalized, submit a copy to the respective commercial bank by any of the following methods, hand delivery, fax, telex or post. The export sales contract should stipulate the method of payment for the export consignment, e.g. payment in advance, payment after shipment by documentary credit or cash against documents. Below is a list of copies of the export contract required by the Commercial Banks.

Methods of payment	Copies to be submitted
Letter of Credit	6 copies
Advance payment	5 copies
Cash against Documents	5 copies
Consignment Note	5 copies

- b. Fill in the Customs Declaration Annex Form (CADF): after properly filling the CDAF, it will be issued to the Commercial Bank’s International/Foreign Banking Division (IBD) where the Letter of Credit is to be processed.
- c. Productions and Quality Control: during preparations/sourcing/or production of the export goods, the exporter should endeavor to follow precisely the specifications of the goods to be supplied in compliance with the product description in the export contract. Quality control should start

from the purchasing of raw materials and input right through the production process. It is a big mistake to worry about quality control at the final inspection stage.

- d. **Quality Testing and Certification:** when products are ready, the exporter should make arrangements for suitable packing and apply using Service Request Form to the Quality and Standards Authority of Ethiopia (QSAE) for quality testing. This depends on the nature of the product to be exported. For example, in our case for the export of cut-flowers which are farm-processed ones, plant protection department in the Ministry of Agriculture issues phytosanitary certificate. For exports of Meat products the exporter requires Veterinary Certificate for the healthiness of the product issued by the Ministry of Agriculture Veterinary Department. Certain importing countries require Halal certificate which means that the exporters is limited to use Halal export abattoirs.

In the case of Live Animals, the requirement is that they should be quarantined a month before export. After the treatment the Quarantine Certificate is issued to enable the exporting of the livestock.

Wildlife and wildlife products (mammals, reptiles, birds and plants (dead or alive) and article manufactured there from, e.g. tanned skins, mounted specimens, ornaments incorporating skins, etc, require CITES Certificate.

- e. **Movement Requirement:** the regulations of the importing country require certain documentation to accompany the consignment. For exports from Ethiopia to qualify under Preferential Tariff Schemes there is a need for documentary evidence indicating that the goods are originating from Ethiopia. The certificate of Origin must be completed for the exporter to qualify under the Preferential Tariff Schemes.

Exports to the European Union countries require the exporter to fill in the EUR I Movement Certificate. For the time being there is no special movement form/certificate for export goods from Ethiopia to the COMESA member states: the completion/filling of the Certificate of Origin and Customs

Declaration Form will suffice. The COMESA form is supposed to be in use in the immediate future.

The above-mentioned Certificates of Quality and Movement must accompany all documents for submission to the Customs Authority.

Second stage

This is the stage of readiness to arrange cargo movement or request for the delivery to the main carrier. The stage involves the following three steps:

- a. Request for delivery instruction from buyer, e.g. FOB, CIF if the terms were not agreed upon in the contract.
- b. Book space through Freight Forwarder or directly with the carrier (Request).
- c. At this stage the exporter should decide the package details including weights, measurements and cube. Normally the shipping personnel decide package marks, which will reflect the nature of the goods. Storage, packing and labeling must comply with the regulations affecting the carriage of the goods by air transport.

Marking and labeling involve stenciling the words and letters to be used for consignment. Besides this, other information placed on the packages are:

- I. Point of dispatch.
- II. Port of destination.
- III. Order number
- IV. Case or box number, and
- V. Weight or measurement of the package

In contrast gross weight and net weight are shown separately. The shipping marks are shown on the consignment on each bundle or box on the outer space, to enable that it may be seen even from a distance

In general it is the importer who gives his/her initials to be used as shipping marks. As a rule, the following instructions can be given:

- ❖ The name of the Country of Origin should appear above the symbol, which may be any figure such as star, rectangle, circle, etc;
- ❖ The name of the Port of Destination appears at the bottom of the symbol; and
- ❖ The number of each individual package appears below the Port of Destination. The packages in the consignment shall be numbered consecutively. Thus, for a consignment consisting of 100 packages, the numbering can be 1/100, 2/100, 3/100 ... 100/100.

However, when there are no instructions from the importer, the exporter is free to use his/her own shipping marks.

It is very common among the traders to adopt, as a part of marking, a simple design such as a circle, a diamond, a square, a star or any other mark easily reproducible by stenciling. It is necessary to have identical marking on the packages related to one buyer to facilitate easy identification at the time when the buyer takes delivery.

For example; inside the pattern there may be one, two or three letters and below these letters is the buyer's order number. On the top or at the sides outside the pattern, there may be two or three letters, indicating the exporter's initials. Below the patterns is the name of the destination port. When the goods are to be transshipped on route, the mentioning of the final port of destination is followed by the words, 'via ...' the transshipment port is written in the blank space.

Marking or Labeling is necessary due to the following reasons:

- Case marking helps in the identification of packages by the buyer at the destination port.
- It helps in avoiding mixing of goods with similar consignment at the time of loading and unloading by the illiterate workers at various ports en-route to destination port.
- Shipping companies insist on such markings.

- There are legal compulsion regarding marking in some countries and importing countries and these should be fulfilled to avoid heavy penalties. It requires that weights and measures, contents and country of origin should be known stated on the package legibly.
- Through the marking and labeling the contents of the package may be known without removing the outer packing case.

Thus marking on cases or packages helps everyone concerned, i.e., the exporters, importers, shipping companies and the custom authorities.

Third Stage

Upon knowing the name of Vessel, Cargo receiving dates, Birth and Port of destination, the exporter should obtain and/or fill:

- a. Confirmation of booking with Freight Forwarder/carrier
- b. Instructions on the movement of cargo from flower farms to the Airport
- c. Advice on freight books
- d. Shipping note with precise shipping instructions to ensure that the main carrier or forwarding agent is aware of cargo handling and documentary requirements/disposal (i.e. issuance of the Airway Bill)
- e. Customs Declaration Form (CDF) through the Customs Clearing Agents (CCA) to avoid costly delays the exporter declares all facts. The export consignment and supporting original documents should be supplied to the agents to enable customs formalities and authorization of the dispatch of the export goods. The exporter must handover the following documents to the Agents together with Customs Declaration Form (CDF). These include:
 - I. Export permit,
 - II. Copy of the Customs Declaration Annex Form (stamped with serial number of the bank);
 - III. Commercial Invoice;
 - IV. Certificate of Origin signed by the Ethiopian Chamber of Commerce;
 - V. EUR I Movement Certificate when exporting to the European Union markets

VI. Generalized System of Preferences (GSP Form A) and Certificate of Origin when exporting to countries offering the Generalized Systems of Preferences such as USA, Japan and EFTA (European Free trade Area that consists of Switzerland, Norway, Iceland and Liechtenstein).

- f. Insurance of export cargo-issuance of Insurance Certificate or Policy document
- g. Advice of distribution of documents
- h. Banking instructions and payment
- i. Transport documents including:
 - Airway Bill
 - Railway Consignment Note
 - Road consignment Note.

3.2.2. Export Customs Clearing Documentation

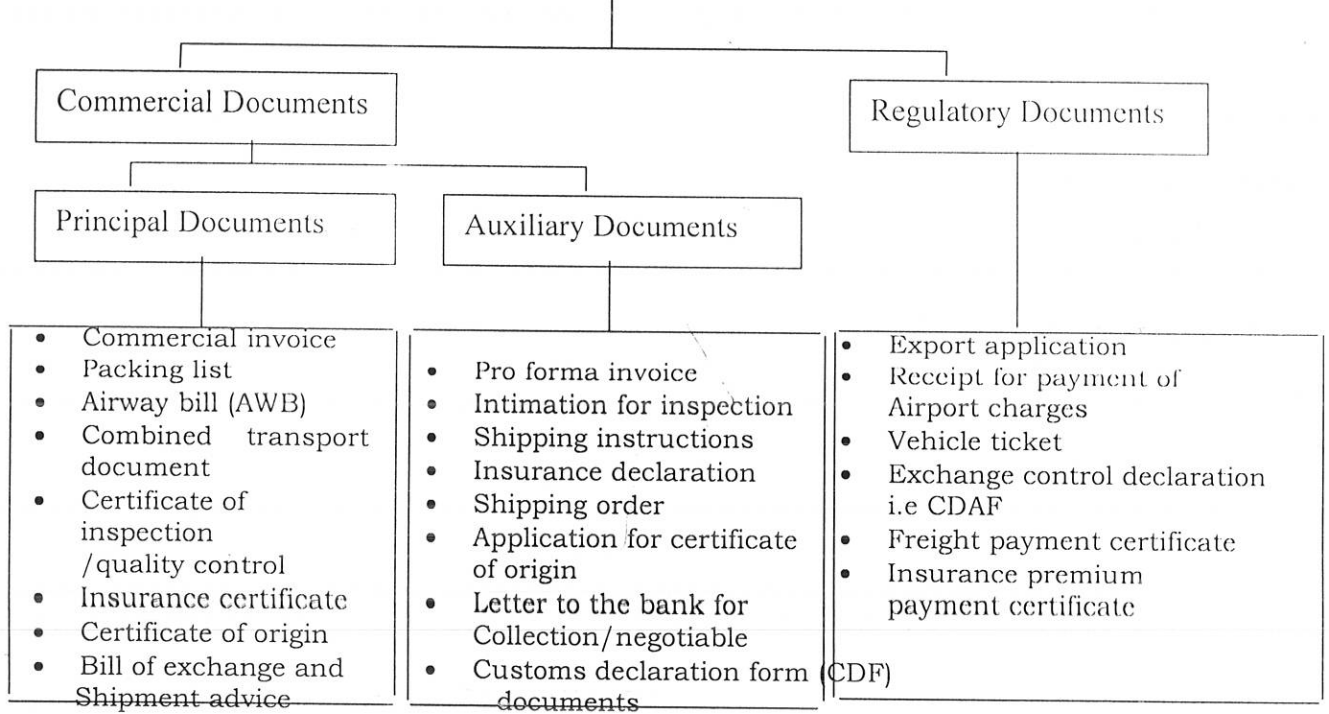
Export transaction requires many documents to be submitted to various authorities. To this effect cut flower exporters have to take special care in the preparation of these documents. Export documents facilitate the flow of goods and payment there of across the national boundaries.

The two broad groups of export documents are commercial documents and regulatory documents.

Commercial documents physical effect the transfer of goods and their title from an exporter to an importer. They are further classified into principal documents and auxiliary documents.

Regulatory documents are those documents which are prescribed by the Government regulations and hence their presentation is compulsory.

Types of Export Documents



Source: Ethiopian Customs Authority

Figure 3 Types of Export Documents

Whether commercial or regulatory, all these documents can be again classified on the basis of their needs and requirements as:

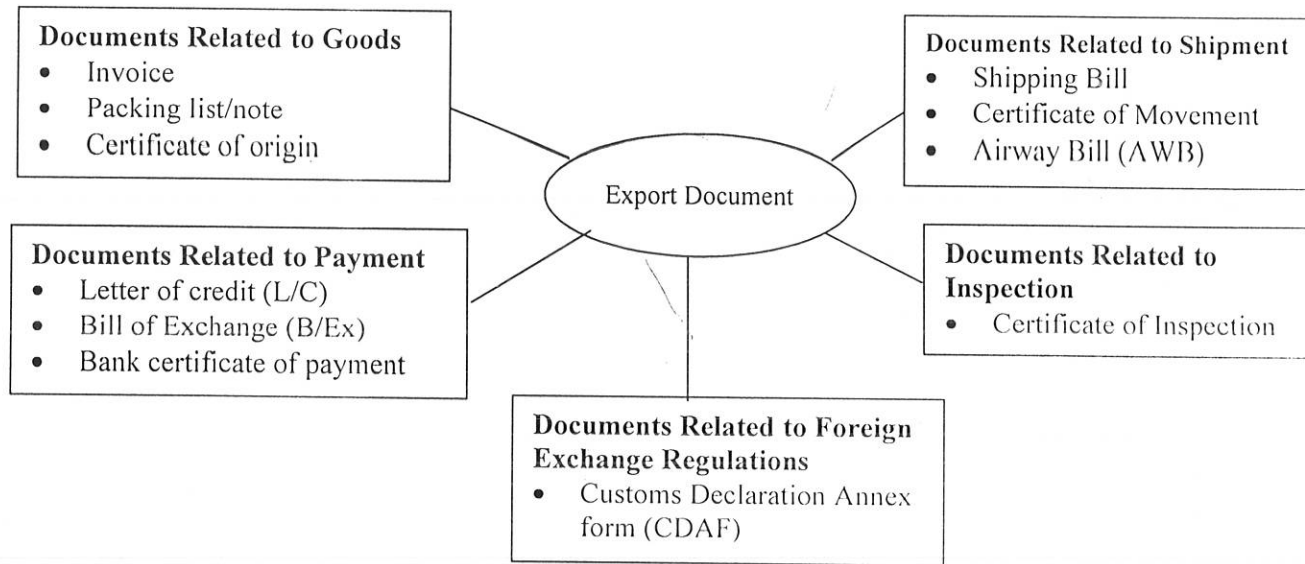


Figure 4 Export Documents

The above stated documents used in our country during export transactions are current and usually acceptable in international trade all over the world. The significance and particulars of only the pertinent documents for cut flower exports are discussed as follows:

1. *Export License*: Export license refers to a document given to the designated exporter that permit him/her to export products out of the territory of a given country. An application for export license should be submitted to the Ministry of Trade and Industry who in turn issues the export license. The documents required for the issuance of an export license are applications in two copies, the principal registration certificate, passport size photograph, an investment permit and residence permit if there is partnership, and memorandum and articles of association or contract of partnership.

The export license covers duration of twelve months. At the end of the duration, the license has to be renewed not latter than two months into the next fiscal

year as is in accordance with Ethiopian Law (<http://www.ethiomarket.com/EEPA/econ-trade/export-registraion.htm>). Accessed on July 5, 2007)

2. *Pro-formal invoice*: This type of invoice is prepared by the exporter and may be required in advance for license or Letter of Credit purposes. The document includes the date, name of consignee, quantity and description of the goods, marks, and measurements of packages, cost of the goods, packing, carriage, freight, postage, insurance premiums, terms of payment, etc.
3. *Export purchase order (from the buyer)*: Should generally be on the importer's company letter head and should at least specify: Items required; Quantity; Price; Shipping dates; Mode of payment; and Packaging instructions.
4. *Commercial Invoices (from seller)*: The commercial invoice gives details of the goods and is issued by the seller (exporter). It forms the basis of the transactions between the seller and buyer, and is completed in accord with the number of prescribed copies required. Usually it bears the exporter's own headed invoice stationery. The invoice gives a description of the goods, stating prices and terms exactly as specified in the credit, as well as shipping marks. Overall, it should at least specify: Name of seller-Consignor; Name of buyer-consignee; Full description of the goods; Quantity of the goods; and Value of the goods (stating whether FOB, CIF or FCA). The value should be stated in acceptable foreign currency e.g. U.S Dollar, Pound Sterling.
5. *Consular Invoice*: The consular invoices are issued at the consular office and a fee is payable on certification which is often based on a percentage value of the Commercial Invoice value of the goods. The consul of the importing country retains one copy, returns one copy to the shipper, and forwards further copies to the Customs Authorities in his/her own country. The consular invoice may be used in some circumstances as a Certificate of Origin. The forms are available from consuls or possibly through Chambers of Commerce and freight forwarders. In many countries both the Consular Invoice and the Commercial Invoice are required.

6. *Customs Invoices*: It may be required by the Customs Authorities of the importing country. An adequate number should be provided for the use of the Customs Authorities overseas.

7. *Customs Declaration Annex form [CDAF]*: This form is for exchange control purposes and should be filled for each export consignment. The form has to be filled in nine copies. Five copies to be submitted to the commercial bank. The remaining copies should be handed over to the agents for distribution with the other relevant documents. The exporter has to fill in all the relevant sections.

8. *Exchange Control Requirements*: The principal requirement of exchange control is that export proceeds be realized in the prescribed manner, i.e. payment for exports must be received in Ethiopia not late than 3 months (90 days) from the date of exportation and in any of the acceptable freely convertible currencies. (Should there be delays in payment-an extension of the three months can be given by the bank). The major currencies acceptable in Ethiopia are: Euro; British Sterling; United States Dollar; Japanese yen; Canadian Dollar; Djibouti Franc.

9. *Certificate of Origin*: a Certificate of Origin is a signed statement providing evidence of the origin of the goods. Although the Certificate of origin is prepared/ filled by the exporter or his/her agent, it has to be issued in a mandatory form and should be certified by a independent official organization. In this case, the Ethiopian Chamber of Commerce and the Dire Dawa chamber of Commerce are currently offering the service.

The document contains details on the export shipment to which it relates, states the origin of the goods and bears the signature and seal or stamp of the certifying body i.e. Ethiopian chamber of Commerce. The exporter has to fill in all the relevant section of the Certificate of origin form.

If the method of payment for the goods is through Letter of Credit, the Certificate of Origin should be presented to the bank and the details on the certificate should be consistent with other documents.

Under the different Tariff Preferential Schemes, the types of forms applicable vary. The following forms are required as documentary evidence for the export goods to qualify for the preferential treatment.

- ↓ EUR I movement Certificate Form: for duty free access into the European Union markets.
- ↓ GSP (Generalized System of Preferences) Form: for duty access into USA, Japan and EFTA countries.

The exporter must be careful to furnish these documents to the buyer and ensure that they can be identified with the export shipment so that the goods can benefit from any waiver, exemption or reduction of duties. The forms should also be submitted to the local Customs Authority for approval.

10. Customs Declaration Form (CDF): this is the Customs document that gives all the particulars about an export shipment. The form can be obtained from Customs Office or any Customs Clearing Agent (CCA). The exporters should fill the Customs Declaration Form (CDF) accurately-assistance can be sought from the Agent on the necessary steps to be followed in completing the Customs Declaration Form.

When all the details have been entered on the Customs Declaration Form, it should be submitted together with other relevant documents to the CCA for final submission to the customs Authority at the place of export.

11. Transport Documents: to facilitate the movement of the goods, transport documents will be issued by the carrier. The type of document depends on the mode of transport. If the mode of transportation is Sea then Bill of Lading; Air then Airway Bill; Rail then Railway Consignment Note; otherwise if it is to be Road the Road Consignment Note.

The following table summarizes the Export Customs Clearing procedure; types of documents that should be presented; and where these documents are originated.

Table 4. Summary of Export Customs Clearing Procedure and its Documents

Exporter Procedure	Document(s)	The origin of the Document
1. Order Acknowledgement	Exporter Order	Buyer/Importer
2. Finalization of Export Contract	Export Sales Agreement	Buyer/Importer and Seller/Exporter
3. Application of Export	Export permit	Any Commercial Bank
4. Registration of export consignment	Customs Declaration Annex Form	Any Commercial Bank
5. Application for Quality Testing	Quality Testing Form	Quality & Standards Authority of Ethiopia
6. Quality Testing and Certification	Quality assurance Certificate Export Authorization Certificate Phytosanitary Certificate Veterinary Certificate	Quality & Standards Authority of Ethiopia " " " Ministry of Agriculture " " "
7. Compliance with Rules of Origin	Certificate of Origin	Ethiopia Chamber of Commerce Dire Dawa chamber of Commerce
8. Compliance with Preferential Tariff Schemes	EURI Certificate GSP Form A	Customs Authority " "
9. Insurance of Cargo	Insurance Certificate /Policy	Insurance company
10. Customs Declaration	Customs Declaration Form	Customs Authority
11. Movement of Cargo from Exporter to Buyer	Transport Documents: Bill of Lading Airway Bill Road Consignment Note Rail consignment Note	From main carrier Shipping line: EAL Road transport Ethio- Djibouti Railway Co.

3.3. Cut-flower Export Bank Clearing Operations

In this section of the paper different methods of payment used in floriculture exports are discussed. In addition all the necessary documentations required by an exporter in order to effectively clear the export transaction through the banking system using the letter of credit are presented.

3.3.1. Methods of Payment

Payment methods are determined to a large extent by the degree of control that the exporter desires to retain over the merchandise, as well as the time limit that has been placed upon the extension of credit. Basically there are five different ways in which credit is extended and payments are made:

Advance Payment

Receiving the funds in advance is the best method of payment from the exporter's view point. Cash with order (CWO) avoids any risk on order with new buyers with whom the exporters have little or no knowledge. Payment may even be requested before production begins. In reality this is a rarely used method, as it means a buyer extending credit to the producer, which is a reversal of normal trade practices.

An alternative form of this approach is cash on delivery (COD) whereby the goods are delivered, perhaps by courier or haulior depending on the size of the order, and payment is made before the goods are released. Numerous airlines have facilities at their terminals for making delivery of merchandise against payment by the consignee. Where these facilities are available, a convenient method is afforded by shippers for collecting payment.

Open Account

While advance payment offers the greatest security to the seller, open account is at the other extreme, providing the least security. In this method, the goods and the appropriate documentation are sent to the buyer, who has agreed to pay within a certain number of days (as specified on the invoice) from the date of the invoice. This is usually a maximum period of 180 days but could be 30,60 or 90 days. The buyer will remit the money to the exporter by an agreed method. Clearly this method depends on a degree of trust between the buyer and the seller. They will respect each other's business integrity, probably through a lengthy period of trading.

A variation of open account is consignment account, where an exporter supplies an international customer in order that stocks are built up in large enough quantities to cover continual demand. The exporter retains ownership of the goods until they are sold, or for an agreed period, after which the buyer remits the price to the seller.

Bills of Exchange

An exporter can send a bill of exchange for the value of the invoice of goods for export, through the banking system for payment by an overseas buyer on presentation. A bill of exchange is legally defined as 'an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to which it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money, to, or to the order of, a specified person, or to bearer'. The bill is in effect similar to a cheque/check, which is drawn, on an international buyer or even a third party as designated in the export contract, for the sum agreed as settlement.

There are different types of bills of exchange. The sight draft is made out payable on demand when it is first presented to the purchaser. If the bill is to be paid at a fixed date or a determinable future date when it is called a term draft because the buyer is receiving a period of credit. In both cases the buyer indicates an acceptance to pay by writing an acceptance across the face of the bill.

By using a bill of exchange in conjunction with the shipping documents, the exporter is given a greater degree of control over the goods. This is because until the bill is paid or accepted by the buyer, the bank will not normally release the shipping documents, so the buyer is unable to take delivery of the goods.

The detailed use of bill of exchange is as follows. The exporter can pass a bill of exchange to a local (domestic) bank. This bank sends the bill to its

international branch or to a corresponding bank in the buyer's country. This bank is known as the collecting bank who then presents the bill to the customer for immediate payment if it is a sight draft or for acceptance if it is a term draft. This procedure is known as clean bill collection because there are no shipping documents required.

An alternative to this method is the documentary collection method of payment. In this case, the shipping documents are sent through the banking system with the bill of exchange including the document of title to the goods (a bill of lading). The international bank then releases the documents on payment or acceptance of the bill of exchange by the international customer.

It is also possible for an exporter to use the banking system for cash against documents (CAD) collection. In this case the shipping documents are sent to the bank, which only releases them once the exporter has confirmed that payment has been received.

In addition, the exporter can send all the documentation directly to the international buyer's bank, which is known as direct collection. However, this is a little less secure than using the services of the domestic bank if something goes wrong with the process, for example, if the goods are delayed resulting in the buyer refusing to pay. The domestic bank will be able to assist the exporter with, for example, warehousing and/or reshipment. For the smaller exporter, having another organization on 'your side' may prove invaluable in difficult circumstances.

In all methods of payment using a bill of exchange outlined above, a promissory note can be used as an alternative. This is issued by a buyer who promises to pay supplier a certain amount of money within a specified time.

Documentary Letter of Credit

While the documentary bill collection previously discussed provides some degree of security to the buyer and seller an even more secure method is to conduct the transaction by a documentary letter of credit. This document is sent usually via a domestic bank in the exporter's country, and is the means by which the exporter is paid.

The documents must be correctly completed and presented to a bank by the expiry date of the credit. If the terms of the credit are met, an exporter can receive payment from a domestic bank. The buyer is effectively providing the exporter with immediate payment, in return for a guarantee from a bank that the export documents required to deliver the goods have been completed to the bank's satisfaction.

Remitting the Money

Most banks will offer a range of services to help the exporter receive payment from international customers, whether they are dealing on open account terms or using the security provided by documentary service. Most will offer electronic payments, foreign currency accounts, or electronic banking via a PC in the exporter office. Facilities such as SWIFT (Society of Worldwide Inter-bank financial Telecommunications) allows leading banks around the world to process billions of electronic payment messages each year.

Individual banks brand their own particular system but essentially the same basic technical service is being offered, for example, the bank of Scotland has TAPS (Transcontinental Automated Payment Service) which is relevant for remitters wishing to pay low value, high volume repeat payments such as pensions, salaries, magazine subscriptions, and insurance premiums. In the technically complex area of documentary services the bank provides services such as advising, negotiation and confirming letters of credit, and providing discounting and collection services. In payment services the bank has paper systems via international drafts and electronic system via corporate HOBS, a home banking system for business. (Andrew Macauley. 2001).

3.3.2. Organizing Export Bank Clearing Documents

Presentation of Documents to the Bank

The exporter who is processing payments under Letter of Credit, when preparing documents for presentation to the designated commercial bank, the respective banker will check the documents against the prescribed Documents Drawn under Credit Checking Form. He/she would check whether:

- All the documents are presented within expiry date;
- Goods are shipped within the stipulated period;
- Documents are presented to the bank within twenty-one days (or as specified by the respective bank) of the date of shipment/dispatch or such shorter time as laid down in the Letter of Credit;
- The aggregate amount of the drawing is within the credit amount;
- All documents requiring endorsement are correctly endorsed for example, bills of Exchange, Insurance document and so forth;
- Invoices contain exact credit description;
- Invoices are addressed to the importer;
- Invoices contain exact license numbers and/or certifications required by credit and such certifications are signed, and must be worded exactly as specified in the credit;
- Invoices show terms of shipment mentioned in the credit;
- Quantity, weight both gross and net, shipping marks, unit price, etc. agree with credit and with all the relative documents;
- Airway bill show goods 'on board' a specified named vessel;
- Airway bill is show correct name and address of notify party;
- Air way bills are in a full set of signed originals or as called for by the credit;
- If FOB shipment, ensure Airway bills show freight payable at destination;
- If C&F or CIF shipment, ensure Airway bill are marked 'freight paid' or 'freight pre-paid',
- Insurance document is in currency of credit;
- Insurance is for correct value (for example, as specified in the credit);
- Insurance is covers all the risk as specified in the credit;

- Original Letter of Credit accompanies the presentation;
- The insurance document is dated prior to dispatch of the goods or specifically states that is effective from shipment date; and
- Insurance certificate is not presented where credit stipulates insurance policy.

The exporter when handling the Letter of Credit must rigorously adopt the following checklist. It includes:

1. Is it confirmed by commercial banks where the importer opened the Letter of Credit?
2. Is the quantity described correct?
3. Is partial shipment permitted or required?
4. Is the Letter of Credit irrevocable?
5. Is the name of the exporter and that of the customer spelt correctly?
6. Does the named destination quoted agree with the Letter of credit?
7. Are the following needed?
 - Export license
 - Import license.
 - Exchange license.
8. Is the Letter of Credit amount sufficient to the quotation? The following aspects should be checked:
 - Cost of goods plus profit element.
 - Inland transport cost to ship, including storage and handling charges at port of loading, or similar charges relative to airfreight or airfreight charges.
 - Freight or airfreight charges.
 - Forwarding fees.
 - Consular fees.
 - Insurance cost.
 - Inspection and/or miscellaneous charges.

9. If it is 'on-deck' cargo, does the Letter of Credit authorize 'on-deck' shipment
10. Compare the contract of sale with the Letter of Credit to ensure its compatibility.
11. If a chartered vessel is involved, does the Letter of Credit state charter party/Bill of Lading acceptable?
12. Can the exporter comply with the insurance risk required in the Letter of Credit and does the credit requires a policy or certificate?
13. Does the expiration and shipping date give sufficient time to assure payment?
14. Is the Letter of credit irrevocable?
15. Can the exporter obtain the following relevant executed documents to conform with the Letter of Credit?
 - Bill of Lading
 - Air Waybill
 - Parcel post receipt
 - Invoice packing list
 - Consular invoice
 - Certificate of Origin
 - Insurance policy/certificate
 - Certificate of inspection
 - Certificate of quality
 - Certificate of health.

CHAPTER FOUR

4. Findings and Analysis

4.1. General Characteristics of the Population

This chapter primarily concentrates on the analysis of data gathered through observation and interview. For the purpose of obtaining the data, three cut-flower farms, namely Goldon Rose, ENYI and Ethio-Dream are observed.

The other sources of the data are the analysis of documents and interviews held with personnel from the Ethiopian Customs Authority (ECuA), Ethiopian Export Promotion Agency (EEPA), Ethiopia Horticulture producers and Exporters Association (EHPEA), Ethiopian Investment Agency (EIA) as well as all other pertinent stakeholders.

4.2. Analysis of Cut-flower Export Marketing, Customs and Bank Clearing Operations

According to the data from Ethiopian Horticulture Producers and Exporters Association (EHPEA) and the Interviews held with Goldon Rose, ENYI and Ethio-Dream cut-flower exporters, an Ethiopian exporter shall follow the following export procedures in order to be successful in exporting cut-flowers to foreign countries. The export procedures are broadly classified into three major stages as pre-shipment, packing and shipment and post-shipment stages. Each of these stages are discussed in detail in the following section.

I. Pre-shipment Stage

Pre-shipment stage consists of the following steps:

- a. *Approaching Foreign Buyers:* interviewed exporters indicated that in order to secure an export order a new exporter can make use of one or more of the techniques such as, Advertising in international media, Sales promotion,

Public relation, Personal selling, Publicity and Participation in trade fairs and exhibitions.

- b. *Inquiry and Offer*: an inquiry is a request from a prospective importer about Description of goods, their Standard; Grade; Size; Weight or Quantity, Terms of payments, etc. On getting an inquiry, a cut flower exporter must process it immediately by making an offer in the form of a Proforma Invoice.
- c. *Confirmation of Order*: once the negotiations are completed and the terms and conditions are finalized, the exporter sends three copies of Proforma Invoice to the importer for the confirmation of order. The importer signs these copies and sends back two copies to the exporter.
- d. *Opening Letter of Credit*: all the interviewed cut-flower exporters believe that the documentary credit or Letter of Credit is the most appropriate and secured method of payment adopted to settle international cut-flower export transactions. On finalization of the export contract, the importer opens a Letter of Credit in favor of the exporter, if agreed upon in the contract.
- e. *Arrangement of Pre-shipment Finance*: on securing the Letter of Credit, the exporter procures a pre-shipment finance from his/her bank for procuring raw materials such as chemical and fertilizers and other components, processing and packing of flowers and transferring them to the port of shipment.
- f. *Production or Procurement of Goods*: on securing the pre-shipment finance from the bank, the exporter either arranges for the production of the required number of cut-flower stems or procures them from the domestic market as per the specifications of the importer.
- g. *Pre-shipment Inspection*: for the export of cut-flowers which are farm processed ones, plant protection department in the Ministry of Agriculture issues phytosanitary certificate for quality control and pre-shipment inspection.
- h. *Customs Duty Clearance*: in Ethiopia exporters are totally exempted from the payment of customs duty. So is the case for cut-flower exporters.

- i. *Obtaining Insurance Cover*: if it is indicated in the export contract, cut-flower exporters insure the export cargo and acquire the insurance certificate or policy document issued by an insurance company.
- j. *Appointment of Freight Forwarders (Customs Clearing Agent)*: since exporting is a complex and time consuming process, all the interviewed cut-flower exporters appoint a Customs clearing Agent or Freight Forwarder for the smooth clearance of the export cargo from the Airport Customs station and preparation and submission of various export documents. This of course is compulsory in Ethiopian Customs Authority regulations.

II Packing and Shipment Stage

Export cargo can be exported to the overseas buyer by sea, air or land. However, due to the perishable nature of cut-flowers, air transport is utilized.

- a. *Reservation of Cargo Space*: once the export contract is finalized, the exporter reserves the required space in the cargo plane for shipment.
- b. *Arrangement of Internal Transportation up to the Port of Shipment*: the exporter makes necessary arrangements for transportations of the cut flower to the airport by refrigerated trucks.
- c. *Preparation and Processing of Shipping Documents*: as the cut-flower export cargo reaches the Airport for shipment, exporters issue detailed instructions to the Freight Forward for the shipment of cargo along with a complete set of the documents listed below:
 - Letter of Credit along with the export contract order
 - Copies of Commercial Invoice
 - Packing List or Packing Note
 - Certificate of Origin
 - Customs Declaration Annex Form (CDAF)
 - Certificate of Inspection, where necessary (original copy)
 - Insurance Policy.
- d. *Customs clearance*: the cut-flower export cargo must be cleared from the Customs before it is loaded on the plane. For this, the above mentioned

documents, along with five copies of shipping bill, are to be submitted to the Customs Appraiser at the Airport Customs station. The Customs Appraiser ensures that all the formalities relating to exchange control, quality control, pre-shipment inspection and licensing have been complied with by the exporter. After verification, all documents, except the original CDAF, original copy of Shipping Bill and one copy of Commercial Invoice, are returned to the Customs Clearing Agent.

In general, if a shipment is for local delivery, cut flowers are left in containers of solution, loaded on delivery trucks, and then delivered to local wholesalers, central distribution points or directly to retail customers.

For long-distance shipment, tied bunches of flowers, generally 10, 20 or 25 stems bound with an elastic band, are removed from their containers and packed dry in large shipping boxes lined with newspaper sheets between the layers of flowers. The flower shipping boxes are very strong and offer good protection against possible crushing from the top, bottom, and ends.

Shipping flowers "dry pack" may appear very stressing and detrimental to full flower display longevity, but the partial water loss is not directly harmful if it is not too extreme (high humidity maintained) and the temperature is low enough (flower metabolism slowed). In fact, slightly wilted flowers are less likely to suffer bruising and breakage in transit compared to the crisp, brittle, fully hydrated flowers shipped in water.

Once packed and conditioned, boxes of flowers are loaded onto refrigerated trucks for shipment, either continuing their journey on the truck to another distribution points such as an airport or a wholesaler, or as a direct delivery to a retail florist outlet.

Flowers that are being shipped by air will be delivered to the cargo area of an airline at an airport, unloaded and then loaded into the cargo area of the plane. Once they arrive at their destination airport they will be unloaded to a cargo holding area, reloaded onto another truck, and then delivered to a wholesaler or retailer.

III. Post-shipment Stage

The post-shipment stage consists of the following steps:

- a. *Submission of Documentary by the Customs Clearing Agent to the Exporter:* on the completion of the shipping procedure, the Agent submits the following documents to the exporter:
 - A copy of invoice duly attested by the Customer,
 - Drawback copy of the Shipping bill,
 - Export promotion copy of the Shipping bill,
 - A full set of negotiable and non-negotiable copies of Airway bill,
 - The original Letter of Credit, and
 - Export Order or Contract.
- b. *Shipment Advice to Importer:* after the shipment of the cut-flower cargo the exporter intimates the importer about the shipment of cut flowers giving him/her details about the date of shipment, the name of the Airline, the destination, etc. The exporter also sends one copy of non-negotiable Airway bill to the importer.
- c. *Presentation of Documents to Bank for Negotiation:* submission of relevant documents to the bank and the process of getting the payment from the bank is called “Negotiation of the Documents” and the documents are called ‘Negotiable Set of Documents’. The set normally contains:
 - Commercial invoice including one copy duly certified by the Customs,
 - Packing List.
 - Foreign exchange declaration forms i.e. Customs Declaration Annex form (CDAF) in duplicate.
 - Certificate of Origin, and

- Insurance Policy, in duplicate.
- d. *Dispatch of Documents*: the bank negotiates these documents to the importer's bank in the manner as specified in the Letter of Credit. Before negotiating documents, the exporter's bank scrutinizes them in order to ensure that all formalities have been complied with and all documents are in order. The bank then sends the Bank Certificate and attested copies Commercial Invoice of the exporter.
- e. *Acceptance of the Bill of Exchange*: Bill of Exchange accompanied by the above documents is known as the documentary Bill of Exchange. It is of two types:-
2. Documents against Payment (sight Drafts): in case of sight draft, the drawer instructs the bank to handover the relevant documents to the importer only against payment.
 3. Documents against Acceptance (Usance Draft): in case of Usance draft the drawer instructs the bank to handover the relevant documents to the importer against his/her 'acceptance' of the bill of Exchange.
- f. *Letter of Indemnity*: the exporter can get immediate payment from his/her respective bank on the submission of documents by signing a Letter of Indemnity. By signing the Letter of Indemnity the exporter undertakes to indemnify the bank in the event of non-receipt of payment from the importer along with accrued interests.
- g. *Realization of export Proceeds*: on receiving the documentary Bill of Exchange, the importer realizes payment in case of sight draft or accepts the Usance draft undertaking to pay on maturity of the Bill of exchange. The exporter's bank receives the payment through importer's bank and is credited to exporter's account.
- h. *Processing of CDAF Form*: on receiving the export proceeds, the exporter's bank intimates the same to the NBE by recording the fact on the duplicate copy of CDAF. The NBE verifies the details in duplicate copy of CDAF with the original copy of CDAF received from the Customs. If the details are found to be in order then the export transaction is treated to be completed.

- i. *Realization of Export Incentives*: if the exporter is eligible for export incentives, then he/she should submit claim for the same accompanied by the bank certificate to the appropriate authority. In Ethiopia, the types of incentives meant for companies engaged in production and export of cut-flowers include:
- Removal of export duties i.e. Proclamation Number 68/1985
 - Export price decontrol
 - Duty-free importation i.e. Proclamation Number 69/1993
 - Duty Drawback (DBK) facility i.e. Proclamation Number 69/1993
 - Income tax holiday (Grace period) i.e. Investment Proclamation Number 280/2003
 - Customs warehouse facility i.e. Proclamation number 60/1997
 - Foreign currency retention scheme i.e. The Retention and utilization of Export Earnings and Inward Remittance Directive Number FX/11/1998.

According to the Ethiopian Investment Agency (EIA), any income derived from an approved new manufacturing and agro-industry investment or investment made in agriculture shall be exempted from the payment of income tax for the periods depicted in the following table, depending upon the area of investment, the volume of export, and the location in which the investment is undertaken.

Profit tax holiday is granted subject to Council of Ministers Regulation No. 84/2003 issued on the basis of the investment Proclamation No. 280/2002 as follows:

Table 5: Areas and Periods of Tax Exemption

Conditions for Profit Tax Eligibility	Profit Tax Exemption	Profit Tax Exemption for investments made in underdeveloped regions
An investor engaged in a new manufacturing or agro-industry activity: <ul style="list-style-type: none">• If it exports at least 50% of its products• If it supplies at least 75% of its products, to an investor, as an input for the production of export items• If it exports less than 50% of its products	5 years	6 years
	5 years	6 years
	2 years	3 years

Source: Ethiopian investment commission

4.3. Cluster Analysis of Floriculture Value Chains

Owing to the rise of production costs in Europe, many cut-flower growers are nowadays shifting to other countries for more convenient conditions. Over the last few years, it is this very tendency that has copulated Ethiopia into the spotlight as the next potential flower production hot spot. However, despite the government reforms in the late 1990s aimed at allowing the free movement of goods, lifting price controls and providing farms with the security of land tenure; a modern export-oriented floriculture industry has begun to emerge in Ethiopia only recently. The reasons include the unfavorable business environment and investment climate and a lack of commitment by the foreign direct investors.

In this section of the study, analysis of the progress of floriculture and the persistent reasons for the unmet potential of the sector will be made. This section characterizes the key participants and investigates the floriculture value chain in terms of production, logistics and marketing aspects. It also assesses the “cluster” or the encompassing environment of policy, infrastructure, institutions, and linked industries facing floriculture in Ethiopia.



4.3.1. Major Participants in the Sector

According to the Ethiopian Export Promotion Agency up until March, 2006 the total number of flower farms found in the Oromia region alone was 63 whereas 2 farms were located within the territory of the Addis Ababa City Caretaker Administration. The distribution of the farms within the Oromia regional states shows that 15 are found in East Shoa zone, 10 in South Western Shoa zone, 32 in Western Shoa zone, 4 in North Shoa while the other 2 farms are found in the Arsi zone.

The majority of the flower farms are located at an altitude of 2600m above sea level. Exceptionally lower, Arsi and Marankiw both found in Arsi zone, are located at 1600m above sea level whereas the rest including Alliance flowers, JJ Kotari, Menagesha flowers and Dream flowers are found about 2600m above sea level in the highlands of Western Shoa. In terms of distance from Addis Ababa, Bersabih flower development found in Southern Nations and Nationalities People's Regional State (SNNPRS) is the furthest followed by Share Ethiopia and Marankiw farms. Most flower farms are far away from Addis Ababa by an average distance of 13-50km. All over the farms yield per square meter is roughly similar, ranging from 120 to 180 stems, per square meter, which approximates to 1.5 million stems per year per hectare. In dollar terms, Ethiopia's rose obtain roughly \$0.18 per stem on the European market. Based on the interview conducted brief profile of Golden Rose, ENYI, and Ethio-Dream rose farms is presented below:

Golden Rose

Golden Rose was established in June 1999 and it started exporting at the end of February 2000. The location of the farm is in Tefiki Woreda in Oromia region, which is about 38 km from Addis Ababa. The altitude of the area is 2060 meter.

Land Area

The farm has now reached to 130 hectares size, which was 7 hectares at the beginning.

Manpower

The number of people employed at the farm is 500. Of which 360 people are permanent and 140 are casual laborers. The composition of the staff is graduates from Jimma and Ambo agricultural colleges. The supervisors and other technicians have been trained by 3 expatriates who came from India. These expatriates are also managing the farms.

Production

The production of the 130 ha amount to 80,000 stems per day. This will be an equivalent of 180 stems per ha.

There are 10 types of varieties of flower production, namely; Circus, Rene, Red Champ, Hollywood, Golden Gate, Sun bean, Dale, Tropical Amazon, Grandfield

Marketing

The major markets are Germany, Netherlands, and Dubai etc.

The average selling price per stem is Euro 0.20

Production Cost

The total operating cost is US\$ 0.80 (including freight) per stem. Specifically, energy, fertilizer, pesticides and salary account for US\$0.03 per stem. Furthermore, the freight cost for flower exports by the Ethiopian Air Lines (EAL) and Lufthansa is US\$0.98 per kg and US\$1.08 per kg respectively.

Logistics

Since the EAL does not guarantee space for their produces, they are obliged to shift to Lufthansa that is guaranteeing 200 boxes/flight. In addition to the space problems, EAL does not have handling company for transporting any product. Therefore, it is advisable to use handling companies for better and efficient services. These type of companies are already existing in Ethiopia, such as the 3CL handling company.

The production process starts at the farm level and then processed in the warehouse and put in the 4 degree centigrade cold room for 30 minutes packing follows and then transportation takes place to the airport by the cold truck (at 4 degree centigrade).

The business is financed both by local banks and own funds, which account for 40% and 60% respectively.

Constraints/Issues

The sector has been facing various problems with respect to many aspects such as:

- Lengthy customs procedures to clear the imported inputs such as fertilizers chemicals, etc. It is too bureaucratic because one has to go through 10 or more steps to obtain the imported materials
- Although they do not have any problem at the moment with regard to the entrance /export of the product into the world market, in the coming years, however, there will be issues arisen with regard to the meeting of certain minimum export requirements.
- When the other big farms have become operational (owning hundreds hectares), Goldon Rose's competitive position will decline. This is one of the issues to be looked into by the concerned stakeholders.

Investment

The major investment items are Greenhouse, Reservoir, Irrigation, Warehouse, Cooling System (cold rooms), Grading/Packing, Generator, Building (offices, etc)
The total initial investment cost of the farm is amounting to Birr 20 million

ENYI Rose

The farm was established in year 2002. It is located about 20 km from Addis Ababa in the Oromia region called Kara Kore. The altitude is in the range of 2100m to 2200m. The company started planting in December 2002 and exporting in the same year.

Land Area

The farm has started its production with 7ha and it has now increased to 90 ha.

Manpower

The number of people employed in the farm are 500 workers. The majority of this labor mainly consists of women laborers (i.e. 15 to 20 women/ha). The manpower is composed of graduates from Alemaya, Ambo and Jimma Agricultural Colleges and 3 expatriates from Kenya, India and Israel.

Production

The yield per square meter is ranging between 120 and 180 stems. This is equivalent to 1.2 to 1.8 million stems per ha.

There are 9 varieties, which are grown in the farm. These are: Akito, Milva, Shanta, Gold Strayna, Aqua, Alwah, Pasha, Circus, Grit

The stems' length of these varieties is between 40 cm to 70 cm, which are medium, and intermediate types.

Marketing

The major market outlets for the products are Germany, Holland and Sweden. They account for 60%, 30% and 10% respectively. The forms of sales are direct sales (Germany and Sweden) and auction (Holland-through Elsmere). In each country there is only one buyer.

Three basic types of varieties can be grown. These are Sweetheart (currently not grown) Intermediates (80%) and Teahybrity (20%) Their stems' lengths are 40,50 and 60 cm for intermediates and 60,70 and 80 cm for Teahybrity.

Stems per sq. m for hybrid and intermediates are in between 120 to 140 cm and 140 to 180 cm respectively.

The average selling prices is USD 0.18 ct per stem. However, there is also a significant price variation.

The farm owns one truck that transports flowers about 18 km to Bole International Airport.

The transport tariff rate of the Ethiopian Airlines and Lufthansa ranges between USD 0.90 ct and USD 0.98 ct, i.e. below 500kg (USD 0.98 ct) and above 500kg (USD 0.90 ct). The Minimum accepted load is 80kg.

Investment

The initial total investment cost of the farm is valued at Birr 20 Million. This amount consists of the following investment items. Buildings, Greenhouse, Irrigation systems (Drip), Cooling systems, Chemical System (fustigation), Propagation (seed), Grading/Packing, Generator

The source of finance for all these investments is own fund.

Production Cost

The operating cost of producing 1 stem amounts to USD 0.13 ct. This includes the freight cost which accounts for 40% of the production cost.

Constraints/Issues

The main constraints are:

- Insufficient Cargo space by EAL.
- Lengthy process of SGS inspection delays the in puts to be imported such as fertilizers and chemicals.
- Long time taking for approving chemicals to be used. By the time the study is completed, the usage of the chemical will be changed.
- Lack of research in terms of variety selection.

- The problem of land allocation (concentrating in one place and not considering individuals choice).

Ethio-Dream

It was established in September 2002 and started exporting in January 2003. The location of the farm is about 48 km away from Addis Ababa in the Oromia region of Holleta Wereda (District). The altitude of the area is 2200 m.

Land Area

At the beginning, the land coverage was 2 ha and currently it has reached to 50 ha.

Manpower

The number of people employed at the farm is 400 people.

In terms of expatriate support, there was an Indian farm manager who is then replaced by a Kenyan farm Manager. He has been contracted for 3 years and he is again replaced by an Ethiopian who has graduated from Jimma Agricultural College. Very recently, the agricultural colleges in Ethiopia have started graduating students with B. Sc in Horticulture /Floriculture.

Production

The number of stems that are produced in 1 ha are 140, i.e. 140 stems/ha. Rejection is very minimal which is about 0.1%. The lengths of stems are 35 and 40 cm. There are no items below 35 cm.

In the process of selecting varieties, information is availed from the breeder and the market.

Marketing

The products are mainly exported to Europe (Germany) and Dubai. The regular market destination is Germany, which accounts for 85% of the market share. A Germany company called SPH is a consignment buyer at the consignment price, which is a negotiated minimum price. In addition, 15% of the export is

sold to the Middle East countries during the summer time (in advance payments).

On average each item is sold for Euro 0.23 ct (USD0.30 ct).

Investment

The investments are made in the form of pre-harvest and post harvest periods. The pre-harvest consists of: Greenhouse, Irrigation system, Reservoir (dam), Planting materials, Bushes clearing, Land development

The post harvest includes: Warehouse (1200 sq.m.), Cold store (1050 w.m), Packing Unit (tables, cutter, etc), 1 Refrigerated truck, 1 Dump truck, 1 Pick-up vehicle, 1 Tractor, 1 Loader, 1 Bulldozer.

Logistics

The products are carried to the airport by 1 refrigerated truck and then exported to different market outlets by the Ethiopian Airlines.

Constraints/Issues

Problems related to the export activities have been immense for the past years. However, now, some of them have got solutions. There are some still unresolved problems such as,

- Insufficient cargo space
- Unnecessary cost charged by DBE

4.3.2. Rose Supply Chain: Production to Market

The wide-ranging agro-climatic condition of Ethiopia allows the production of a wide range of quality flowers that can fetch high prices in the international market. In Ethiopia three basic types of rose varieties can be grown. These are sweetheart (30-40 cm stems and small bundles), intermediates (40-60 cm in stem length) and tea hybrids (60-80 cm stems). The majority of Ethiopian production falls into the intermediates, with considerable variation between farms. The yields per square meter also vary with stems per square meter for

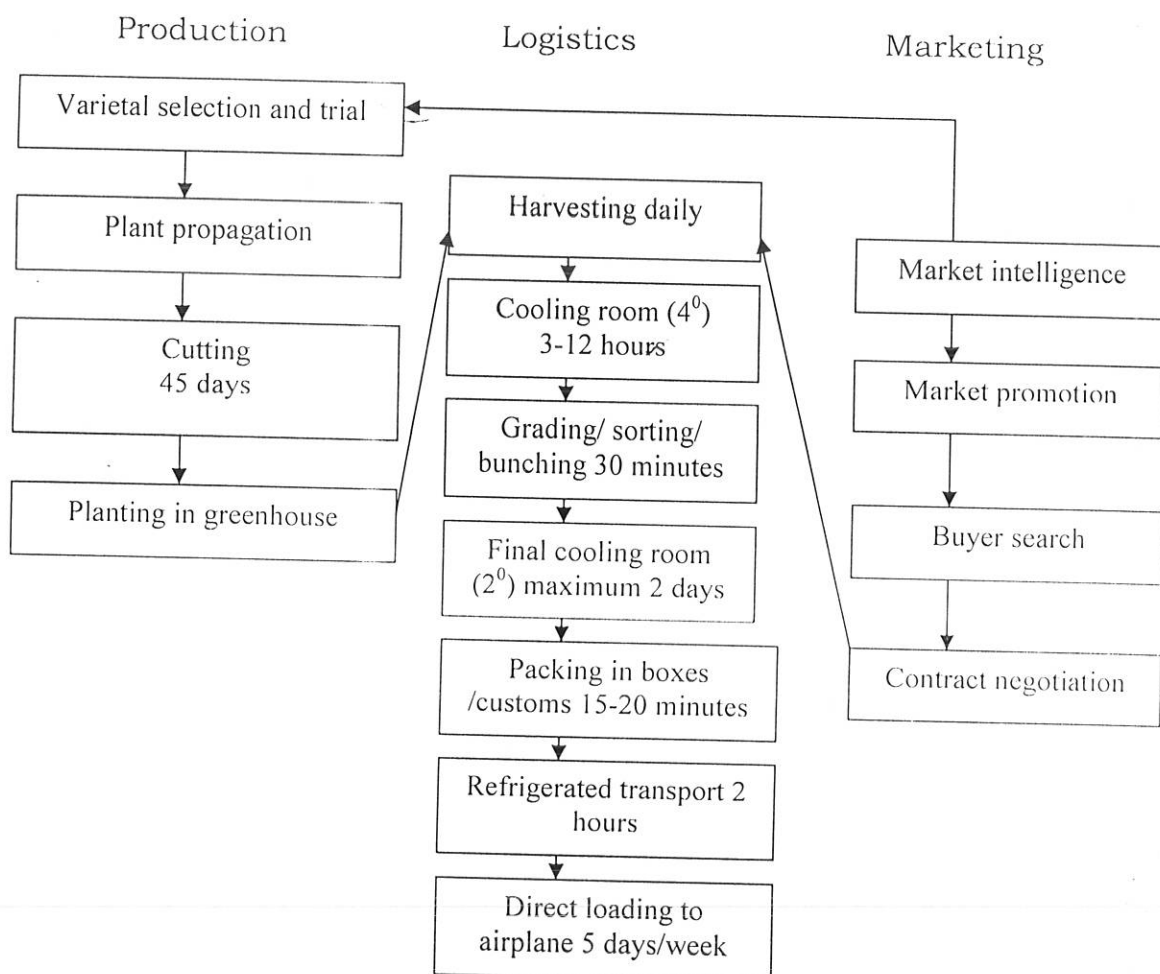
tea hybrid ranging from 120 to 140 stems per square meter and for intermediaries from 140 to 180 stems per square meter.

Based on the responses of interviews conducted with Golden Rose, ENYI, and Ethio-Dream flower exporters, this section analyzes the various activities involved in the rose supply chain starting from production to export.

I. Production

The production component of the supply chain begins with selection and trials of varieties, propagation of varieties, planting cuttings in greenhouse, application of chemical inputs and irrigation, disease control, and harvesting in the greenhouse.

Figure 5. Vertically Integrated Rose Supply Chain



Interviewed exporters indicate that varieties are selected on the basis of advice from expatriate technical experts and from the seed companies themselves. Propagators do not have easy access to new varieties or high quality plant materials because breeders fear patent and royalty infringements.

Water is a lifeline for plants. Based on the interview flowers, especially roses, require a lot of water particularly in hot weather conditions. Depending on the climatic conditions, daily water requirement per hectare ranges between 40 to 70 cubic meters. For cut-flower production water with a PH of 5.8 to 6.5 is favorable. Exporters noted that water from rivers and lakes have high bacterial count, which is suitable only for irrigation but not for putting flowers in once they are cut. On the other hand, they noted that well aerated loam soil with a PH of 5.5 to 6.0 is favorable for flower production. However, sandy soils have an excellent drainage to insure that excess water is immediately absorbed to avoid root rotting.

Heating and central spraying systems help increase the temperature inside the greenhouses as and when required which also reduces the excessive humidity. Cut-flowers also require chemicals to stay alive, which is sprayed as per requirement from time to time. Based on the interview, it is necessary to have adequate supply of plant protection equipment by the time planting is started since diseases could affect the young flower stems very rapidly.

Because they are restricted to older, less productive varieties, Ethiopian growers face limited potential for high yield. Quantity is also affected by a lack of technology: pest control methods are harsh at best, with an emphasis on methyl bromide. Access to new technologies such as integrated pest management (IPM), composting and others would be more efficient, less expensive and less harmful to workers and the environment. Crop protection services (agrochemicals, entomology, IPM, pesticide use/safety, post harvesting

techniques) are not high priorities and flower farm management and production methodology evaluation is not taught at institutions at higher training.

With little access to such training, Ethiopia is woefully of agronomists, which translates into low productivity on flower farms. (And considering that the average adult literacy rate in Ethiopia is 34.7%, the average flower farm worker is probably illiterate). There is no national training program for farm workers; no national skim for worker health and social security; no efficient pathology laboratory for cut flowers; and no central library for books on flower crop production. In other words, there are not facilities in place to train the estimated 50,000 farm workers and agricultural engineers that will be needed to bring Ethiopia's industry to its fullest potential.

II. Logistics

The logistics/post-harvest component of the rose supply chain constitutes initial cooling at 4 degree centigrade, then grading, sorting, and bunching, a second cooling at 2 centigrade, then packing in specialized cartons, loading to refrigerated truck, customs clearance, airport handling, and air shipment (figure 5).

In the logistics component, the export firms interviewed indicated the absence of sufficient cargo space. Because Ethiopian Air Lines does not guarantee cargo space, one exporter noted a shift to Lufthansa which is guarantying 200 boxes per flight at a higher rate. The exporters also indicated that there is no independent handling company for their products. The competitiveness of Ethiopia's products in export markets is highly dependent on the quality of packing materials, specifically the corrugated boxes tailored to different stem lengths. At present, given the weakness of the domestic carton industry, one of the rose farms, Golden Rose, has entered into the business of carton assembly and is distributing to other exporters.

Post-harvest handling is as important as growing for delivering an attractive product to the customer, if not more so. In the same vein, the reliability of air connections is as critical as its costs. Speed of delivery is important since flowers must be carried to their destination without delay. Only a few hours of inattention can spoil a flower and ruin months of hard work. Hence, the importance of good infrastructure and efficient organization. This includes proper transportation between farms and airport (good roads, refrigerated trucks).

Many things can go wrong after the harvest, particularly in warm climates where the chance of disease is great. Flowers are highly perishable in the post-harvest chain from grower to consumer. Floral organs continue to grow actively. They have high rates of transpiration, which continues after harvest. A flower at 30°C will respire 45 times faster than one at 0°C and consequently will have a shorter life span. Flowers must be stored and handled at low temperatures, close to 0°C being the best. A "cold chain" from producer to retailer is essential, including cold storage at the airport.

Based on the documentary analysis made and the responses of the cut-flower producing firms, the chain of logistical activities are summarized as follows:

Refrigeration

Pre-cooling and refrigerated storage of cut-flowers and floristic greens in high humidity are equally maintaining the quality of cut-flowers. Pre-coding should be done as soon as possible after harvesting or before, during or after treatment with floral preservative solutions. Flowers can be placed in refrigerated rooms while undergoing treatment, except in the case of bud-opening solutions which require the flowers to be held at room temperature.

Fruits, vegetables, damaged or diseased flowers, flowers held at higher than recommended temperature as well as exhaust gases produce ethylene which

will cause downward bending of flower foliage to open, or open flowers to close or fall off. Florist greens will become yellow, and leaves and berries will be downward or fall off in the presence of ethylene. Damaged or diseased plant material also give off. Temperature control, ventilation, sanitation, and ethylene absorbent pads are used to minimize damaged flowers and florist greens in transit and storage (EHPEA, 2006).

Some flowers are stored dry by growers, for brief periods until sufficient quantities are available-flowers during special holidays. Pre-cooling is essential before the flowers are placed vertically in closed flower wax impregnated fiberboard drums for storage. When placed in fiberboard boxes, the flowers can be pre-cooled immediately after packing, provided sufficient holes are provided in the box ends or ventilate field and product heat. Low cost forced air pre-cooling equipment consists of a portable exhaust fan, which draws refrigerated air through boxes stacked on either side of an aisle in front of the fan. A canvas is extended across the top of the boxes to the floor enclosing the aisle. The holes in the ends of the boxes should not be locked by the flower packing materials.

Forced air pre-cooling can be accomplished in an open room. Cooling of packaged flowers can take 24 hours or more, reducing shelf life. All flowers should be pre-cooled, stored and transported at their recommended storage temperatures. (Source: The Ethiopian Horticulture Producers and exporter Association 'EHPEA')

Transportation

Air cargo is used for the export of cut flowers. Most of the flowers are shipped without refrigeration to reduce their shelf life. Fortunately most air transit times are short-a matter of hours. Minimizing transit requires the use of protective packaging; pre-cooling before loading, close coordination at origin and time destination airports, and utilization of cold storage facilities near the

airport. Flowers should not be put runway in sunlight or be held in unrefrigerated storage prior to official inspections.

Boxes of cut flowers are utilized on air cargo pallets. Plastic strapping around the boxes is recommended to protect the pallet load. The pallets are then secured with the air cargo pallet netting. Some flowers are transported in air cargo containers. Refrigerated van containers are used for the export of florist greens. With adequate pre-cooling florist greens can withstand transit times of 2 to 3 weeks.

Land transportation of cut flowers and florist greens is handled primarily by refrigerated highway trucks and trailers are either loaded by hand or with pallet jacks. Some carriers have installed metal supports with sidewalls of trailers for wood shelving. This helps to reduce crushing and damage of flowers on tight hand-loaded stacks.

Flowers and florist greens are shipped in mixed loads. Mixed loads of cut flowers can create a hard challenge when tropical items sensitive to chilling injury are included. Some carriers place these flowers cab of their tractor-trailer. In this case, however, they are held at higher than recommended temperature with increased volumes of tropical flowers; carriers may consider using multi-temperature trailers or insulated coverings or boxes to protect the flowers from colder temperatures. Flowers and florist greens must never be shipped or stored with fruits or vegetables.

Ideally, florist greens should be handled separately from flowers, as the florist greens are more sensitive to ethylene, which flowers produce in small amount.

Airfreight Cargo Service and Charges

The existing major cargo transport service provider for horticultural and cut-flower products is Ethiopian Airlines. Other Airlines like Lufthansa operate in

transporting cargo to European markets. Ethiopian Airlines commenced a direct flight schedule to Amsterdam starting from December 5, 2001 where significant proportions of flowers are sold through auction centers in the Netherlands. Ethiopian Airlines is operating two direct flights a week to Amsterdam. On the other side, British Airways commenced two flights per week from Addis Ababa to London by Airbus 320 passenger aircraft with freight capacity of 2 to 4 tons and which can accommodate standard container cargoes.

The existing rate per unit of product especially in cargo planes depends on take-off time, the age of the aircraft and availability of cargo for exporters and other operational parameters on the date of service.

Total charge is determined based on maximum load of 36 tons and if the actual load is lower than this, cost per unit increases.

Table 6: Freight charge per kilo gram

Actual Total Cargo (kg)	Charter Rates (US\$)	Charter price per kg (US\$)
36,000	43,000	1.19
34,000	43,000	1.26
32,000	43,000	1.34
31,000	43,000	1.38
30,000	43,000	1.43

Source: Ethiopian Airlines Cargo Section

III. Marketing

In the marketing component of the rose supply chain, there is identification and negotiation with buyers, searching market information, and ensuring completion of sale (figure 5).

Export sales can be made in two ways: either through direct sales via a consignment agent who offers a guaranteed price or through the Holland auction at Elsmere, which offers better price potential but is not guaranteed. In the direct sales system, there is no contracting system because the buyers are

not interested in signing contractual agreements and neither are sellers. The sale is on the basis of a guaranteed price (e.g. in Germany 0.14 ct/stem).

The firms interviewed report the majority of sales to Germany, and a smaller share through the Dutch auction. In Germany, the firms sell through a single consignment agent, in exchange for a commission rate of 12% to 17%, or USD 0.02/stem. The agent may also reject the product on quality grounds, although the rejection rate is fairly low, 3% on the average, although it sometimes goes up to 5% to 7%.

The major export markets of Ethiopian cut-flower exports have so far focused mainly on Germany, the Netherlands, UK and Italy while the others include France, UAE, Saudi Arabia, Sweden, Norway, Djibouti, Sudan, and Swaziland. As can be seen in the table below, the Ethiopian floriculture sector has an insignificant role as an export item. If Ethiopia is to work towards making cut-flower an important export commodity, it is then useful to understand some of the major current developments taking place in the global floriculture marketing.

At present, it is generally expected that consumption will grow in the near future. In fact, growth in cut-flower consumption is greatly dependent on the economic development of the different parts of the world and of course on flower-minded culture, making the role of the consumer all the more important. However, more certain is the fact that competition on the world market will increase and that supply is growing quicker than demand, thereby resulting in a fierce competition in the world cut-flower markets (<http://www.ethiopianreporter.com/eng-newspaper/htm/No358/r356eco.2.htm>)

In terms of market competition, interviewed exporters indicated that there is limited competition at the moment due to supply constraints to meet demand of their buyers. On the other hand, however, Kenyans are their major competitors.

Their competitiveness is through the availability of an organized and strong supply chain. Although Ethiopia has competitive advantage in terms of cheap labor (50% to 60% lower than Kenya), favorable weather condition and a saving of 30% freight cost, it would be difficult to beat its competitors like Kenya due to lack of a strong supply chain.

Ethiopia currently cannot justify more than a few flights per week to European markets. This will not satisfy the needs of Europe's three biggest flower auctions (Bloemenveilig Aalsmeer, Flora Holland and the NBV/UGA), nor those of importing wholesalers and supermarket clients, all of whom prefer fresh flower arrivals five days per week.

The limited number of flower and fresh cut foliage species exported by Ethiopia has led to particular dependence on the Dutch flower auctions, which accept single species and mono-color shipments, but return consequently lower per unit flower prices. Bouquet-making for European wholesalers and supermarkets requires a diversified balance of flower species, and a wide range of rose lengths and colors. This is beyond current Ethiopian capacity.

4.4. Analysis of the Ethiopian Floriculture Industry

In this section the Ethiopian floriculture industry is analyzed in terms of export performance by volume and value, share from the total export earning, and destinations. An attempt is also made to analyze the socio-economic contributions of the floriculture industry. Moreover, detailed investigation of the major constraints facing the industry and its future prospects are presented.

4.4.1. Cut-flower Export Performance by Volume

Like most other agricultural commodities, the total export of cut-flowers for Ethiopia fluctuates in growth over time and is insignificant in its volume. This fluctuation is partly attributed to the instability in the supply. The insignificant export volume of cut-flowers is due to the under utilized potential of the sector and the high capital and knowledge intensive nature of the sector.

Table 7: Performance of Ethiopian Cut-flower Export by volume

Year	Volume (in Million Stems)	Growth (%)
2000	1.64	-
2001	4.02	145
2002	6.72	67
2003	16.0	138
2004	32.0	100
2005	83.0	159
2006	112.0	34.94

Source: Computed from the Data of Ethiopian customs Authority

The annual growth of volume of cut flower export between 2000 and 2001 was 145%. In the following period, it was not sustained. It declined to 67% between 2001 and 2002. The reason for this decline, according to the Ethiopian Export Promotion Agency, is mainly because of the general price decline in the international market for flowers. However, the year 2005 has shown the highest growth rate of 159% which is attributed to the increasing number of investors engaged in the production of cut-flowers. In general, the rate of growth in volume fluctuates from time to time though the export volume of cut-flowers is on the increase from year to year.

4.4.2. Cut-flower Export Performance by Value

There is positive relation between the growth rate in volume of exports of cut-flowers and the growth rate of export income from cut-flowers. In the period under consideration, there is considerable fluctuation in the export earnings and its growth rate. The fluctuations occur due to the price changes in the international flower market.

Table 8: Average Price of Cut-Flower

Year	Price (USD/stem)
2000	0.23
2001	0.16
2002	0.18
2003	0.18
2004	0.16
2005	0.15
2006	0.17

Source: Computed from the Data of Ethiopian customs Authority

Table 8 shows that the price of cut-flower has been fluctuating from year to year which resulted in the fluctuations of export value.

Table 9: Performance of Ethiopian Cut-flower Export by Value

Year	Value (in USD)	Growth (%)
1996	216,158	-
1997	157,000	27
1998	247,000	57
1999	118,052	-52
2000	382,346	224
2001	660,038	73
2002	1,212,968	84
2003	2,904,000	139
2004	5,050,000	74
2005	12,645,000	150

Source: Computed from the Data of Ethiopian customs Authority

Table 9 depicts the fluctuating cut-flower export earnings starting from year 1996 onwards. As has been said, this is due to the fluctuating cut-flower prices in the international market. The unprecedented rise of 224% in value in the year 2000 is attributed to the bacterial attack on other African exporters that degraded their quality and volume of exports. This phenomenon boosted the price of Ethiopian cut-flowers. On the other hand the 1999 export value of 118,052 USD is a decrease of 52% from the previous year's value of 247,000 USD. This is the highest drop in export earnings experienced by Ethiopian floriculture industry.

Table 10: Share of Ethiopian Cut-flower Export Value from the Total Export Earning

Year	Income from Cut-flower Export (USD)	Income from the Total Export (USD)	% Share of Income of Cut- flower from the Total Export
1996	216,158	419,447,000	0.05
1997	157,000	602,295,000	0.03
1998	247,000	550,832,000	0.04
1999	118,052	431,659,000	0.03
2000	382,346	418,040,000	0.08
2001	660,038	447,976,000	0.15
2002	1,212,968	436,310,000	0.28
2003	2,904,000	842,700,000	0.60
2004	5,050,000	596,521,000	0.85
2005	12,645,000	793,228,000	1.59

Source: Computed from the Data of ECuA and EEPA

The share of cut-flower export value from the total export earning during the first four years (1996-1999) is characterized by a series of fluctuation. However, after 1999 it showed an increasing pattern. When compared to the years after 2003, the share of cut-flower export from the total income of exports is very low during the year between 1996 and 2002. This is due to the corresponding low volume of cut-flower exports.

Table 11: Flower Export by Destination for the 1998 E.C (2005/2006)**Budget Year****Weight in Stem
Value in USD**

Country	Weight	value	% Share
Netherlands	73,367,782	6,418,297	42.42
Germany	29,418,360	4,852,104	32.07
United States of America	758,380	770,094	5.09
Belgium	7,859,058	654,737	4.33
United Kingdom	3,051,002	546,604	3.61
Italy	2,925,395	476,317	3.15
Sweden	851,445	225,187	1.49
United Arab Emirate	968,053	206,855	1.37
Israel	1,767,770	194,986	1.29
France	334,270	166,349	1.10
Russian Federation	1,657,460	144,309	0.95
Saudi Arabia	663,850	108,530	0.72
Norway	554,419	93,137	0.62
Poland	179,700	87,164	0.58
Portugal	179,780	58,131	0.38
Kenya	69,860	46,065	0.30
Romania	320,361	20,568	0.14
Lebanon	90,610	9,996	0.07
Yemen	102,440	9,983	0.07
Hungary	20,700	8,134	0.05
Costa Rica	1,760	6,865	0.05
Zambia	16,240	6,074	0.04
Zimbabwe	24,660	5,015	0.03
Japan	63,100	3,422	0.02
Slovenia	1,680	2,505	0.01
RE Union	31,840	1,881	0.01
South Africa	25,340	1,491	0.01
Bosnia	11,500	1,373	0.01
Uganda	25,000	1,176	0.01
Cauman Island	1,060	931	0.01
Sudan	8,520	911	0.01
Djibouti	3,040	891	0.01
Congo	1,290	198	0.00

Source: Ethiopian Export Promotion Agency

As shown in table 11 in the 1998 E.C (2005/06) budget year, close to half (42.42%) of the Ethiopian cut-flower exports were sent to the Netherlands followed by Germany which accounted for 32.07%. From this it can be said that the EU countries are the major importers of Ethiopian cut-flowers. As compared to the EU countries, there was an insignificant share of export made to other countries. From African countries, the highest share of cut-flower exports (0.3%) were made to Kenya followed by Zambia (0.04%)

4.4.3. The Socio-Economic Contributions of Floriculture Industry

With only a small area (20/30 hectares) needed to generate substantial output and employment-20/25 people are employed on average per hectare-the floriculture sector has been able to exert significant impact on the Ethiopian economy. That growers are now giving up their forms in the world's most successful exporters of flowers, Colombia, Kenya and Israel, to move and re-establish their business in Ethiopia, is evidence of the growing confidence in the Ethiopian floriculture market, and reflection of its perceived future potential.

According to the data obtained from the Ethiopian Horticulture producers and Exporters Association (EHPEA) on average 20-25 people are required to work on a hectare of land and due to the nature of the work, more than 70% of the workers are female. And this is going to benefit women who have been excluded from economically gainful employment.

Totally the number of employees working either in farms that have started production or undergoing construction is about 21,356 up to March 2006 (EHPEA). From this the total number of employees engaged in the farms that produce flowers is about 10,622 from which 64.4% are female. Farms that are undergoing construction have 10,734 employees from which 28.6% are female. From these data we can conclude that the sector gives better opportunities and advantages for female workers.

For very long years, the export sector of Ethiopia used to generate more than 50% of the hard currency earnings from the export of coffee. However, the recent fluctuations in the prices of coffee in the world market had seriously affected the earning from coffee. Income from cut-flower exports per hectare of farm land is far greater than income from other products. The study conducted by EHPEA shows that in Ethiopia income from roses grown on 1 hectare of land would be equal to the income derived from coffee planted on 107 hectares of land.

Infrastructural developments (road, telephone, electricity, water) are necessary in order to become competitive in the export of cut-flowers to the foreign market. Consequently these infrastructure will benefit the societies living around the areas of the flower projects.

4.4.4. Constraints Facing Cut-flower Industry

From the exchange of interviews held with Golden Rose, ENYI, and Ethio-Dream flower exporters, the major technical, institutional and marketing problems associated with the production and export of cut-flowers are summarized as follows:

A. Lack of Skilled Manpower and Training

In the country there is limited technical and marketing expertise and knowledge about floriculture. There is no adequate skilled manpower that is trained in Horticulture. As a result of this, the floriculture industry is highly dependent on expatriates who are paid large sums of money.

B. Inadequate Infrastructure

The lack of adequate road, electricity and telecommunication facilities forces cut flower investors to concentrate around the capital. Due to the absence of all weather roads that lead from the farms to the main asphalt, exporters are facing transportation challenges. This inhibits investors from utilizing vast lands in far rural areas.

C. Shortage of Capital and Poor Banking Systems

Interviewed exporters indicated that there is lack of capital either to start or expand their businesses. The cut-flower industry is highly capital intensive that needs a huge amount of money for the start of the business. Nevertheless, the financial institutions in the country are not well developed to meet the capital needs of cut-flower exports.

Ethiopian banks, especially government banks are not in a position to provide the desired amount of credit for investors to set up or expand the cut-flower industry. Nowadays, some private banks are providing a limited credit facility for investors. This has to be well developed and practiced by all the banks in the country.

D. Cargo Bottlenecks/Limited Air freight Capacity

Cut-flower is highly sensitive to quality. To keep up the quality of cut-flowers, high quality transportation is necessary. Ethiopian Airlines lacks enough air cargos specialized in transporting cut-flower. Interviewed exporters indicated that currently there is no contingency plan to handle the risks of insufficient cargo freight capacity, nor a master plan to assure that high volumes of cut-flowers can be exported on a daily basis as well as during peak holiday periods. Furthermore, the Addis Ababa airport suffers from insufficient cold storage facilities for cut-flowers if flights are cancelled and shipments are more often delayed due to bureaucratic export paper work.

E. Shortage of Chemicals and Fertilizers

All the interviewed cut-flower exporters point out that currently the only company that supplies chemicals and fertilizers is Azrom. They also requested for other chemical and fertilizer supplier companies. However, none prove to supply at the right time and quality.

F. Lack of Suitable Packaging

The low quality level of the packages available in the country decreases the overall quality of flowers to be exported. The firms interviewed also indicated that the high weights of the packaging materials available increases the transportation cost of the exported flowers which in turn minimizes their competitiveness abroad where others use the lightest possible packages that minimize transport costs and increase price competitiveness. In addition to this the short supply of the packages and their expensive price hinder the development of the industry. ENYI and Ethio-dream have an acute problem associated with packaging.

CHAPTER FIVE

5. Conclusions and Recommendations

5.1. Conclusions

As is the case in many developing countries, the major export items of Ethiopia are dominated by few agricultural products that earn very small amounts in the international market. Moreover, most of the exports are destined to only few countries. This fact calls for export diversification in an effort to increase the kinds of export items and searching new markets for both the existing and new items.

Ethiopia has been operating in the floriculture industry for over 20 years. However, the industry is still at its nascent stage. The reason for this is the low level of emphasis given to the contribution of the sector to the country's foreign exchange earnings. To this effect, so as to promote economic growth through diversifying agricultural production and broaden foreign exchange earnings, the government of Ethiopia, which now pursues a market-led economic policy, needs to place proper emphasis on the potential of the floriculture industry.

An Ethiopian cut-flower exporter goes through a lengthy customs and bank clearing procedures discussed in the previous chapters. Given the perishable nature of the cut-flowers, these bureaucratic customs and bank formalities are hindering the quality and competitiveness of Ethiopian cut-flowers in the international market.

The floriculture value chain in Ethiopia is process intensive in both the pre-and post-harvest phases, including strict requirements on chemical application and timing, temperature and humidity control, irrigation, cooling temperature and length, packing materials, and quality differentiation and sorting. It is interesting to note that what clearly differentiates this sector from the

traditional agriculture model is that, not only is production year-round and highly industrialized, but also the post-harvest processing is tightly coordinated with a three-day period from harvest to arrival in destination market abroad. Given the highly capital intensive nature of production and processing, rose farming is not a smallholder activity. It is also important to note the extremely tightly controlled time dimension of the logistics process, given the product attributes desired and the fragility and perishability of the roses.

The export volume and value of cut-flowers accounts for a small proportion of the total exports of Ethiopia. In recent years the sector is showing improvements in terms of the quality and quantity of exports to the international market. Nevertheless, the technical, institutional and marketing constraints discussed in the previous chapter and the fluctuations in the prices of international cut-flower market have been and still are restricting the sector from generating adequate foreign exchange earnings that the country could have realized.

5.2. Recommendations

Based on the discussions and findings of the analysis in the preceding chapters, the following recommendations can be made:

- Export support services extended by the Ethiopian Export Promotion Agency (EEPA) should encompass intensive promotion of Ethiopian cut-flowers on international markets. This can be done by providing special assistant to cut-flower exporters in organization of and participation in regional and international trade fairs and exhibitions. The Agency should also grant hands-on technical assistance and organize short-term trainings in management, harvesting and exporting of cut-flowers.
- The government in collaboration with the Ethiopian Horticulture Producers and Exporters Association (EHPEA) and other stakeholders has to set-up an independent cut-flower Research and Development Institution that

undertakes Market Research for the identification and development of new export markets; conduct, analyze and disseminate cut-flower trade related information to the business community and provide inquiry reply and consultancy services.

- The Ethiopian customs Authority (ECuA), taking into account the perishable nature of cut-flowers, should provide special privileges to cut-flower exporters for prompt clearance of the cut-flower export cargo. The authority should also develop a fully automated system to avoid the long customs clearing procedures and unnecessary paperwork.
- Both government and private banks in the country should broaden the range of services they offer to help the cut-flower exporters receive fast and secured payments from international customers. Ethiopian banks need to adopt state-of-the-art banking facilities such as electronic payments, foreign currency accounts and electronic banking.
- The Ethiopian Horticulture Producers and Exporters Association (EHPEA) have to exert at most effort to create an organized and strong rose supply chain so as to increase the sector's competitiveness. This can be done by sharing the experience of the neighboring countries like Kenya.
- Even though there are some incentives that are given to cut-flower producers by the government, there is still a need to improve these incentives more and provide other incentives which were not provided before to attract more investors to the sector e.g. extending the tax exemption period.
- To solve the marketing related problems, strong agencies have to be established and the existing ones have to be supported in terms of finance and skilled manpower.
- To solve infrastructural problems, the government has to give priority to the areas where the cut-flower projects are located by expanding road, water supply, power supply and other infrastructure.

- The government should facilitate negotiation and dialogue between exporters and the Ethiopian Air Lines officials so as to provide cargo air planes for the exclusive transportation of cut-flowers.
- The concerned stakeholders have to find a way to produce domestically the inputs that are imported from abroad such as fertilizers because this gives domestic producers cost advantage in production that enable them to compete with other countries' exporters.
- To solve problems of packaging and shortage of plant materials, the cut-flower exporters and their association together with the government have to strive for the creation of a strong carton industry and enabling of the import of plant materials from abroad at a lower cost.

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Appendix-A

Interview Questions for Cut-flower Exporters (Goldon Rose, ENYI, and Ethio-Dream)

This interview is held to gather data for the MBA project paper entitled “Export Marketing, Customs and Bank Clearing Operations of Floriculture in Ethiopia”. I assure you that your responses are used only for academic analysis of the study.

Thank you in advance for your cooperation.

1. Why do you choose to engage in the cut flower exporting business?
2. Since when have you been exporting flowers?
3. In acquiring the export license, what requirements and procedures did you follow?
4. In locating international customers, what techniques do you employ?
5. Which countries are your company’s targets?
6. What challenges do you face in exporting cut-flowers?
7. In your opinion, how do you see the government’s incentive plans to promote the export sector?
8. Describe the kinds of support you get from the Ethiopian Export Promotion Agency?
9. What role do banks play in your exporting business?
10. How do you think is the Ethiopian Customs Authority’s formalities for cut-flower exports?

Appendix-B

Interview Questions for Ethiopian Customs Authority (ECuA)

This interview is held to gather data for the MBA project paper entitled “Export Marketing, Customs and Bank Clearing Operations of Floriculture in Ethiopia”. I assure you that your responses are used only for academic analysis of the study.

Thank you in advance for your cooperation.

1. Describe briefly the procedures an Ethiopian cut-flower exporter needs to follow for effective customs clearance.
2. What are the principals custom clearing documents used in exporting cut-flowers from Ethiopia?
3. Explain the quality control and pre-shipment inspection requirements of cut-flower exporters.
4. Which documents should be necessarily presented to the Customs Authority by Freight Forwarders?
5. Given the perishability of cut-flowers, what measures are taken by the Ethiopian Customs Authority for prompt clearance of cut-flowers?
6. What are the major problems faced by cut-flower exporters in fulfilling customs formalities?

Appendix –C

Interview Questions for Ethiopian Export promotion Agency (EEPA)

This interview is held to gather data for the MBA project paper entitled “Export Marketing, Customs and Bank Clearing Operations of Floriculture in Ethiopia”. I assure you that your responses are used only for academic analysis of the study.

Thank you in advance for your cooperation.

1. What are the major duties and activities of your organization?
2. What measures does the government take to strengthen the floriculture sector?
3. How do you promote cut-flower exporting and what supports do you give for exporters?
4. Explain briefly the major problems faced in exporting cut-flowers?
5. What is the contribution of cut-flower in generating foreign exchange?
6. What is your contribution to the cut-flower exporters association?
7. What are the mechanisms used by your organization to acquire market information?
8. How do you see the organization of cut-flower exporters in terms of skilled manpower, capital and other facilities?
9. How do you evaluate the relationship of flower exporters with banks and other financial institutions?
10. What are the key success factors in export of cut-flower?

Declaration

I hereby declare that the project entitled "Export Marketing, Customs and Bank Clearing Operations of Floriculture in Ethiopia" is my original work and has not been presented (submitted) by any body for any degree or diploma in any university and all the material used for the project work have been dully acknowledged.

Binyam Zewdie

Name of Candidate



Signature

August 10, 2007

Date