



Priority Sector Investment Study

November 2022

**AGRIBUSINESS OPPORTUNITIES
IN SOMALIA'S FOOD PRODUCTION SECTOR**



Funded by the
European Union



Shaping a more livable world.



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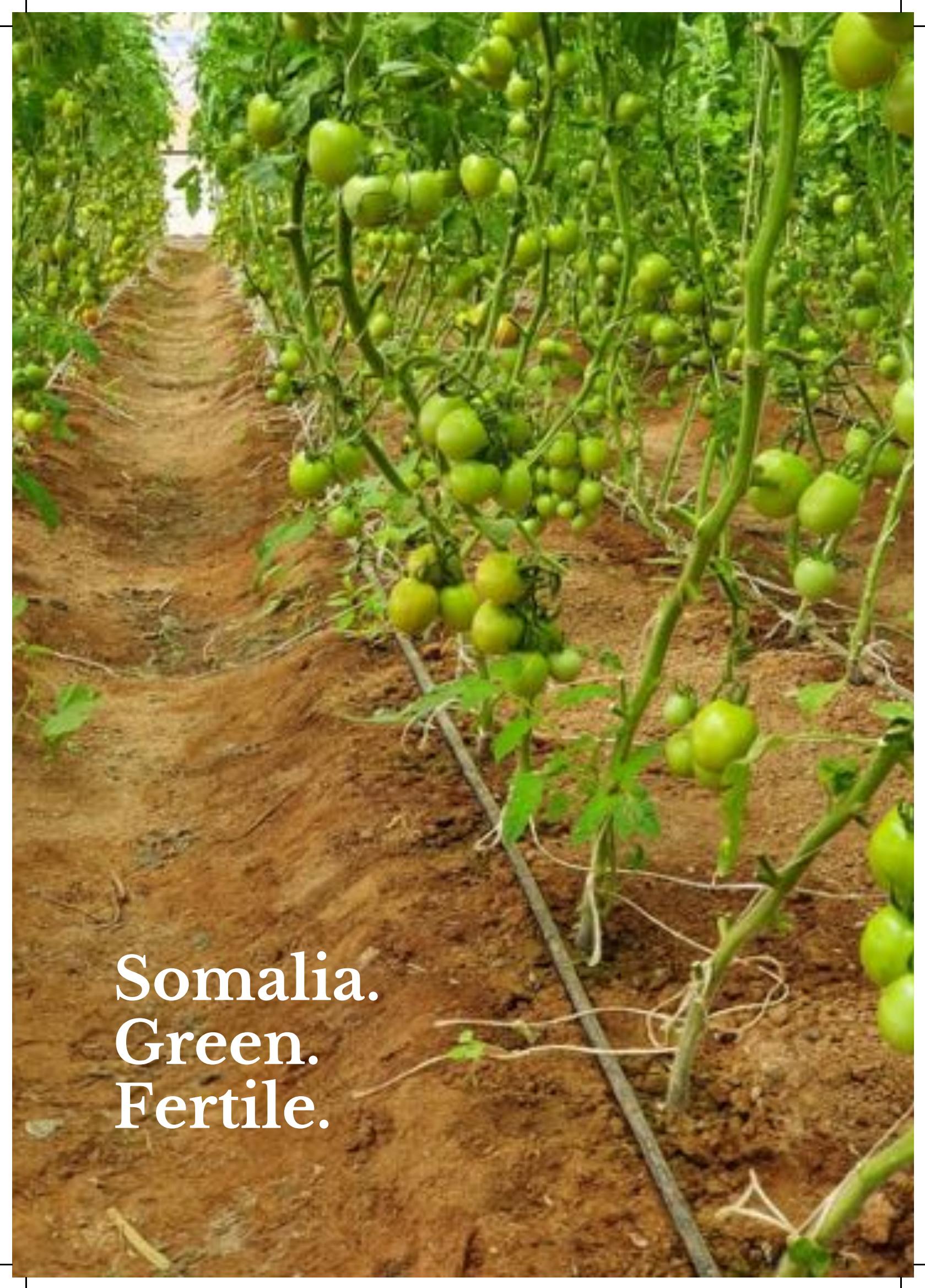


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A photograph of a greenhouse interior. Rows of tomato plants are trained to grow vertically, supported by stakes and twine. The plants are laden with numerous small, green tomatoes. The ground is covered in brown soil. The perspective is from the end of a row, looking down the aisle towards a bright opening at the far end.

Somalia.
Green.
Fertile.

Abbreviations and Initialisms

AfCFTA	African Continental Free Trade Area
BEZ	Berbera Economic Zone
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Community
FAO	Food and Agriculture Organisation
FGS	Federal Government of Somalia
FDI	Foreign Direct Investment
IGAD	Intergovernmental Authority on Development
MoCI	Ministry of Commerce and Industry
MoPIED	Ministry of Planning, Investment and Economic Development
NPPO	National Plant Protection Organisation
NIPS	National Investment Promotion Strategy
OACPS	Organization of African, Caribbean, and Pacific States
PPP	Public-Private Partnership
SARIS	Somali Agricultural and Inspection services
SCPZ	Staple Crop Processing Zone
SEZ	Special Economic Zone
SMEs	Small and Medium Enterprise
SoBS	Somali Bureau of Standards
SOMINVEST	Investment Promotion Office

Minister's Foreword

I am pleased to present the "Priority Sector Investment Study for Agribusiness and the Food Sector in Somalia". The study has been commissioned and led by the Investment Promotion Office (SOMINVEST) at the Ministry of Planning, Investment and Economic Development (MoPIED).

The study aims to shed light on the abundant investment opportunities and challenges in the realm of agribusiness and the food sector in Somalia.

The study seeks to provide relevant sectoral information to increase awareness about investment opportunities in Somalia, and also aims to encourage a culture of knowledge-sharing among stakeholders that include foreign investors, domestic investors, key senior decision-makers, agricultural experts, and agroindustry specialists.

Despite the country's protracted food insecurity, Somalia offers unprecedented opportunities and lucrative commercial benefits for enterprises of all sizes, whether these are small and medium-sized businesses or large corporations. All these businesses have an interest in investing in Somalia's nascent agribusiness sector and taking part in broader Rural Development, such as the growth of farm road networks, that are making the linkages between the actors in the agricultural sector increasingly closer.

Somalia has large expanses of arable land that are suited to industrial-scale agribusiness and food production, a thriving livestock sector, an extensive coastline that gives access to an unexploited "blue economy", and innumerable natural wonders. Investing in these sectors will offer significant commercial gains that will also contribute to the country's efforts to achieve food security and ensure that internal markets thrive. They will also help to ensure that the trajectory of economic growth continues to be inclusive and responds to the needs of women.

The Ministry of Planning, Investment and Economic Development is committed to catalysing the untapped economic opportunities in Somalia's priority primary production sectors and supporting agro-industrial investments that can reduce unemployment across Somalia.

With the technical contributions of SOMINVEST, the Ministry will play a decisive role in maintaining a favourable investment environment that encourages inflows of Foreign Direct Investment (FDI) to Somalia.



The Ministry will address any potential difficulties, such as the weak availability of location and crop-specific investment information. In addition, it will tackle underdeveloped policy areas by organising sector-specific and investor-targeted events and by drafting investor-friendly legislation, policies and regulations that will facilitate the entry, impact and expansion of investors at all scales of operation. This will create linkages between local economic development leaders and international businesses, maximise job creation, and sustain Somalia's economic growth.

In other words, we will continue to undertake numerous legislative reforms to improve the policy environment and maximise the ease of business in Somalia. These efforts will meet Somalia's challenges of increasing food security resilience and promoting viable macroeconomic regimes that guarantee support for new investors.

I wish to thank the European Union Delegation in Somalia, whose funding via the "Support to Policy Dialogue on Investment Climate in Somalia" project enabled this study to be completed. My thanks are also due to the SOMINVEST team, led by Director Mohamed Dubo, who mobilised all the required human and financial resources to conduct this study.

I kindly invite you to read this detailed Priority Sector Investment Study for Agribusiness and the Food Sector in Somalia and take advantage of its information to make intelligent investment decisions.

**Hon. Mohamud A. Sheikh Farah (Beenebeene),
Minister of Planning, Investment and
Economic Development,
Federal Government of Somalia**



1. Welcome to Somalia

Somalia offers significant opportunities to agribusiness investors. These include its historical trade links and the sizeable amount of land that is suitable for arable crops and livestock herding. Its strategic location in the Horn of Africa enables easy targeting of marketing operations on the Persian Gulf nations, Eastern Africa and South Asia.



These opportunities include:

1. investing in promising food value chains targeting specific "market windows" that present themselves when other producers are in the wrong season to service a particular market (e.g. cucumbers destined for Europe during the northern winter); and
2. investing in agroindustrial business ventures that produce processed foods. These processed products can increase local dietary diversity and can be stored in a system of food banks whose existence would decrease the risk of famine.

They:

1. target the local level and involve investing in a limited number of target communities;
2. target district or regional level, where local governments have potential to be involved;
3. involve multi-community programmes in one or more of Somalia's provinces and include national and international agents, often through co-investment and "out-grower" frameworks.

This Priority Sector Investment Study is the product of a partnership in 2021 and 2022 between SOMINVEST and EU funded Support to Policy Dialogue on the Investment Climate in Somalia (SPDI) project. The Study draws from sub sectors identified in the National Investment Priority Strategy (NIPS) and highlights among Somalia's most promising investment opportunities in the agribusiness and food sectors at various socio-economic levels.

As you read this guide, we hope you find the contents of this document sufficiently informative and inspiring as you plan your agri-investment in Somalia.

We welcome you to visit and explore the opportunities first-hand. Our team of specialists at SOMINVEST is on hand to respond to your enquiries.



2. Outline of Somalia's Investment Landscape

Somalia is located strategically in the horn of Africa. The country is bordered by Ethiopia to the west, Djibouti to the northwest, the Gulf of Aden to the north, the Indian Ocean to the east, and Kenya to the southwest. Somalia's surface area is 637,657 km².

With an overall population of 16.1 million[1], 34% of the country's people are below the age of 14, and 51% of the population is aged between 15 and 64. An estimated 47% of the population live in urban areas.

Somalia has two major economic hubs, Mogadishu and Hargeisa, where most of the urban population is concentrated. There are also several regional cities that are significant centres of trade,

Somalia has a long history of international trade dating back to the Silk Road, when it exported agricultural products such as spices and other valuable commodities.

Although it is classified as a low-income and least-developed country, Somalia is experiencing a positive economic recovery as it emerges from its years of unrest and political and security issues,

According to the IMF, by 2020 Somalia had significantly reduced its debt-to-GDP ratio from 111% to 9% under the HIPC debt relief program.

Due to its proximity to Middle Eastern and EU markets, coupled with a growing population and improved economic and fiscal policies, the country has experienced real GDP growth over the past four years that has averaged about 3.4% per annum[2].

Contributing to Somalia's economic growth is its progress on numerous investment policies and institutional reforms. These have attracted substantial FDI.

For instance, Somalia's significant ports and airports have seen considerable foreign investment in logistical infrastructure that gives easy access to the Persian Gulf (such as Berbera Port), in addition to substantial management contracts gained through public-private partnerships.

[1] <https://www.unfpa.org/data/world-population/SO>

[2] AFDB Group, Somalia Country Brief 2017-2020

2.1 Why Invest in Somalia's Agribusiness and Food Sector?

Several factors underpin Somalia's attraction as an agribusiness investment location. The nation is rapidly recovering from the sparseness of investment in manufacturing and technology during its long spell of unrest. Potential Somalian stakeholders are able to join forces in agricultural and agro-industrial ventures that will grow Somalia's economy with the help of Foreign Direct Investment.

The opening-up for investment offers a potential first-mover advantage as the country shifts from heavy dependence on food imports to becoming an important food producer and processor. Foreign investors seeking local partners will find a vibrant private sector with an appetite for growth and a willingness to explore joint-venture opportunities. The following factors underpin Somalia's competitive advantage as an investment location:



STRATEGIC LOCATION

Somalia is strategically located in the Horn of Africa along the southern approaches to the Bab el-Mandeb and routes through the Red Sea and Suez Canal. Its proximity to critical Middle East markets, and its maritime connection to EU markets, confers an advantage in terms of freight costs and rapid transport access to markets.



SIGNIFICANT POTENTIAL AGRICULTURAL LAND

Over 70% of the land area of Somalia is arable land[3], with a total of 8.9 million hectares. Its two main rivers have a total length of 2,300 km.



FAVORABLE CLIMATE AND TOPOGRAPHY

With an annual average temperature of 28 degrees Celsius, south-central Somalia has a tropical climate. The mountainous terrain leads to great agro-climatic variability that is favourable for numerous crop varieties.



EXPANDING ECONOMY

Improved governance and security over the past decade have contributed to an expanding economy, with GDP growth averaging 3.4% per annum during 2017 to 2020.[4]



SUPPORTING SERVICES

The FGS has instituted several laws and policies to attract foreign investment. SomInvest, the national institution responsible for guiding FDI, provides support to investors. Improvements have been made to policies and regulations governing foreign investment laws, agricultural regulatory policy, and food quality and safety regulations. In addition, the Somali Government is committed to developing a pool of well-trained specialists in modern agricultural methods (especially climate-smart and environmentally responsible approaches) that are consistent with the EU's Farm-to-Fork sectoral greening strategy.



PREFERENTIAL TRADE AND MARKET ACCESS

Somalia has preferential trade agreements with countries in Africa and the Middle East



HIGHLY UNDER-INVESTED SECTOR

Though rapidly recovering and expanding, the agribusiness and food sector remains heavily underdeveloped, presenting a first-mover advantage for early adopters in both input and output markets.



PORTS

With two ports on the Gulf of Aden and three on the Indian Ocean, Somalia has five major ports that offer easy seaborne import and export, with the potential for infrastructure expansion as transport volumes increase.



WELL-ESTABLISHED PRIVATE SECTOR

The private sector in Somalia is vibrant and progressive. The private sector has expanded significantly across multiple sectors. The Somali Chamber of Commerce remains the most dominant private-sector association. Industry associations also exist.



INVESTMENT INCENTIVES

Incentives for agribusiness include zero-rated duty on all farm inputs, including fertiliser, pesticides and seeds. Other incentives are favourable investment allowances and deductions for agricultural machinery and tools. Taxes on agricultural exports and domestically produced agricultural inputs are zero-rated. Although there is no clearly codified system for tax incentives and exemptions, significant tax exemptions can be negotiated with the local agency specializing in FDI and foreign investors.[5]

[3] <https://data.worldbank.org/country/somalia>; [4] AFDB Group, Somalia Country Brief 2017-2020;

[5] SPARK/BINA Program, The Somali Micro, Small & Medium Enterprises Ecosystem - Challenges and Opportunities

2.2 Investment Facts & Figures

Facts and Figures ^[6]



8,900,000
hectares of fertile
arable land



637,657 km²
total surface area



25%
of the crop production
is grown through
irrigation systems



627,337 km²
area of dry land



7th largest
producer of
sesame globally



10,320 km²
area under water



2 main rivers
total length over
2,300 km



3,333 km
of coastline

The longest in mainland Africa



Average rainfall
610 mm
per year



81.5%
of the Somali
population is under 35



Average
temperature
28° C

Economic Indicators



GDP at current
market prices (2020)
US\$ 6,965 ^[7]



Agriculture GDP in 2017
38% of total at
US\$ 2.7 billion



Per-capita
GDP in 2020
US\$ 471



FDI inflow, 2017
US\$ 384
million ^[8]

[6] <https://www.nbs.gov.so/facts-and-figures-of-somalia/>

[7] <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=SO>

[8]<https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/fragility-resilience/promoting-private-investment-in-transition-countries/the-horn-of-africa-opportunity/country-profiles/somalia>

There are no restrictions on the creation of private enterprises. Foreign investors are allowed to set up and register a 100% local company with no local shareholders.

Introduction to Somalia's Policies

The Somali investment climate has improved over the last five years. It has seen substantial reforms in its investment policy framework to attract foreign direct investment and promote agricultural development.

Despite the negative impact of Covid-19, GDP growth is expected to reach 3.2% in 2023 [9A]. This will be boosted by various legislative, regulatory and institutional reforms that have improved the investment climate.

The Ministry of Planning and International Cooperation has developed the National Investment Promotion Strategy (NIPS) and the Foreign Investment Law through the SomInvest facility. Meanwhile, the Ministry of Commerce and Industry (MoCI) has generated the National Industrial Policy, the Small and Medium Enterprise (SME) Policy, and the National Export Strategy.

The Ministry of Agriculture has developed policies on land use, irrigation development, and food safety regulations. These are geared towards promoting private-sector investment in the agriculture sector, with a focus on liberalization, commercialization, public and private partnerships, and the provision of effective agricultural services that will ensure sustainable agricultural growth.

Inclusive development models of agriculture are likely to result in more sustainable impacts that will help improve farmers' livelihoods while augmenting employment, technology transfer, and crop diversification.

The Federal Government of Somalia (FGS) is confident that there are profitable investment opportunities in the agricultural sector. It has provided incentives to attract investment from the domestic and international private sectors.

The analysis presented in this investment guide illustrates the commitment of the FGS to attracting FDI.

3.1 Agri-Investment-Related Policies in Brief

Agribusiness investment-related policies have increasingly focused on attracting investments into the sector.

- The Foreign Investment Law of 2015 promotes and protects foreign investments. It aims to offer favourable incentives to foreign investors, such as tax advantages, and guarantees against expropriations. It also guarantees that an investor can settle any dispute through international arbitration.
- Somali Agricultural and Inspection Services (SARIS). Legislation has established the agricultural regulatory agency known as SARIS, one of whose mandates is to facilitate international trade as a National Plant Protection Organisation (NPPO). The institution's tasks are to implement the Somali Agrochemical Policy; the Seeds and Varieties Act; the Plant Protection and Quarantine Law; the National Fertilizer Policy; and the National Pesticide Policy.
- Agricultural Land Use and Irrigation policies: The first policy addresses the economic, political, legal, physical, and planning aspects of agricultural land use, while the second one regulates the use of water for agriculture.

- Standards and Quality Control Act Law No. 27 establishes the Somali Bureau of Standards, whose mandate is to control the quality of goods and services across the economic sectors.

The recently passed agricultural laws provide a legal framework for regulating agricultural development in the country, including the quality control of farming inputs and products.

The government has put these frameworks in place to facilitate trade and investment in the agricultural sector, which is a significant pillar in the National Development Plan.

With the improving investment climate, in recent years FDI in the farming industry has increasingly focused on greenfield investments, joint ventures, and the subsidiaries of transnational corporations.





Somalia.
Industrious.
Innovative.



4. Somalia's Agribusiness and Food Story

Somalia's agribusiness presents considerable opportunities for potential investors:

- Opportunities for large-scale commercial farming are made possible by the availability of suitable arable land and water.
- The nation possesses a strategic location and global connections.
- There is fertile soil along the riverine basins.
- There is a tropical climate with two rainy seasons, with varying altitudes for diversified cropping patterns.
- There is potential for export growth focused on organic farming, as the most suitable land is free from agrochemical residues.
- Road transport and port infrastructure are being developed, involving significant ongoing investments in trade corridors, and the development of supply chains.

Despite having faced numerous challenges recently, Somalia remains one of the best-primed nations in Africa for agro-investment.

As the governance, regulatory environment, and economic outlook improve, agro-production, and processing expansion are underway. There are real prospects for investing in input markets and agricultural processing to meet the growing domestic demand for food, driven by rapid urbanisation, high population growth, and improving incomes.

Somalia already exports sesame seeds, for which there is high global demand. Besides sesame, other production and processing export subsectors are likely to earn high returns.

Equally, investments in underdeveloped agricultural input chains such as seeds, fertiliser and machinery are likely to be profitable.

4.1 The Economic Relevance of the Agricultural Sector

Globally, agriculture and food systems are vast and link the daily decisions of 7.5 billion consumers with more than one billion farmers and ranchers.

The FAO estimates the gross value of global (primary) agricultural production at just over US\$ 5 trillion, while the World Bank estimates primary agricultural value-added production at about US\$ 3.2 trillion[9].

In Somalia, agriculture is the backbone of the economy, contributing to approximately 70 per cent of the country's gross domestic product (GDP), 80 per cent of its employment, and about 50 per cent of its exports.

Agricultural production is concentrated mainly in the southern part of the country, where the most fertile land is located, and riverine water irrigation is abundantly available. Primary agricultural produce includes coarse grains, oil crops, and horticultural crops (i.e. fruits and vegetables).

Primary export produce includes sesame, lemons, spices, gum, and resins.

The country imports sugar, rice, wheat, oil and other processed agricultural products.

In Somalia, agriculture remains the sector with the most significant potential for driving broad-based and inclusive economic growth. This is because most of its people live in rural areas, where the mainstay is agriculture production.

Considering the importance of agriculture to the economy, Somalia is implementing transformational reforms to modernize and shift the sector from largely low-productivity subsistence farming to more commercially oriented systems that are better integrated with the rest of the economy.

Its agriculture strategy includes policy reforms to:

- improve the business-enabling regulatory environment and investment climate,
- improve productivity to achieve greater food security,
- promote the cropping and processing of products that will substitute imports,
- improve farmers' incomes,
- create jobs, and
- enhance agribusiness opportunities in the input and output markets.

AGRICULTURAL DEMOGRAPHICS

Jobs in agriculture



Land holding



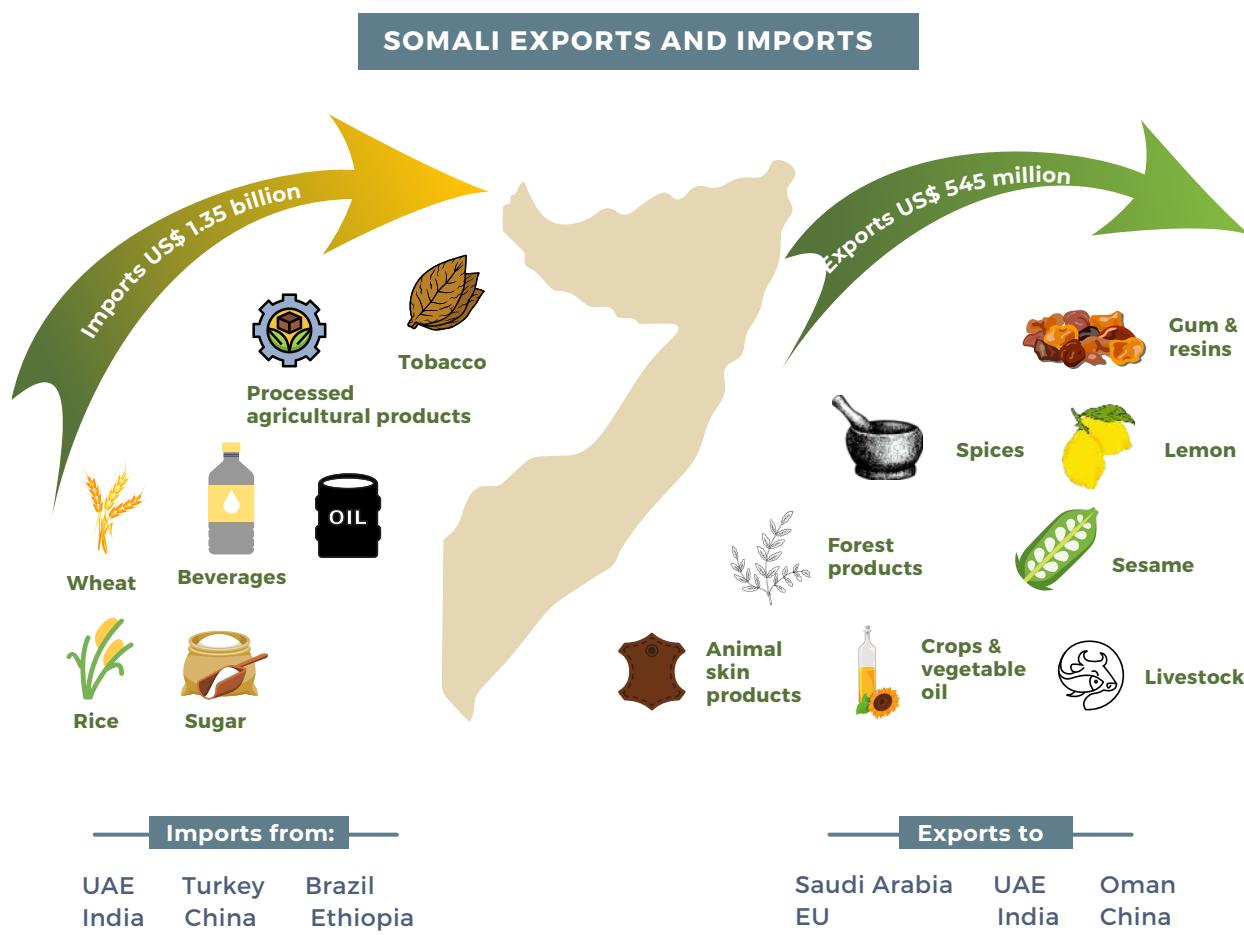
Somalia has a young workforce, 65-70 per cent of which is aged under 30.

A surge of highly skilled Somalis from the diaspora returning to Somalia's agricultural sector has led to increased innovation and investment. Monthly salaries range from US\$ 100-300 for unskilled labour and US\$ 300-600 for skilled, making Somalia more competitive than regional labour markets.

4.2. Agricultural and Food Business Highlights

Though Somalia exports items such as gums & resins, sesame, citrus fruits and livestock (primarily goats and sheep), Somalia is a significant net food importer, importing an estimated US\$ 1.35 bn in 2020.

Import substitution through local production and processing presents sizable opportunities for investors[10].

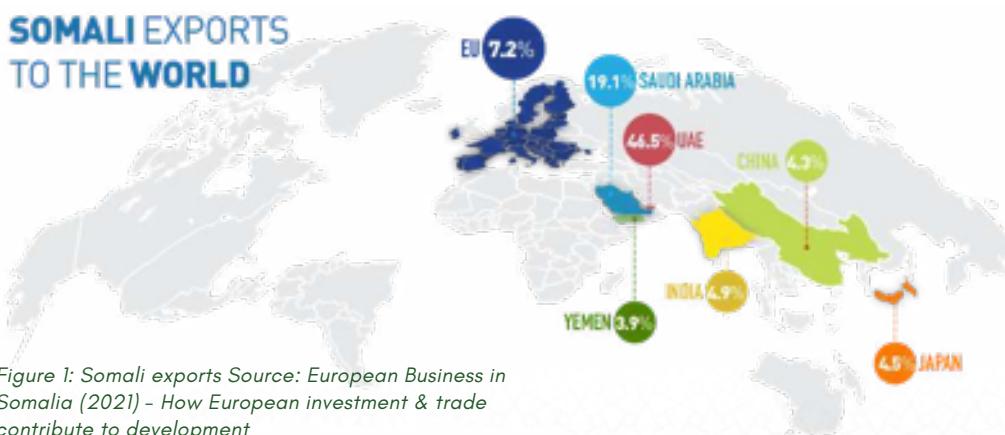


Somalia imports mostly from the United Arab Emirates (US\$ 1.28 bn), China (US\$ 893 mn), India (US\$ 544 mn), Ethiopia (US\$ 294 mn), and Turkey (US\$ 64 mn). In 2020, Turkey exported US\$ 264 mn worth of goods to Somalia. The main products imported include:

- Total value of imports (agricultural and non-agricultural) in 2020: US\$ 3.76 billion, of which
 - Food: US\$ 1.17 billion
 - Beverages & tobacco: US\$ 179 million
- Total value of exports: US\$ 544 million (livestock, animal skin products, cereals, pulses and legume crops, vegetable oil, forest products, plus other categories).

4.3 Somalia's Current Export Markets

Favourable climatic conditions with bimodal spring and autumn growing seasons, annual precipitation, and available river water for irrigation enable at least two annual harvests of a wide variety of crops. This has enabled Somalia to supply domestic markets and export a wide variety of agricultural produce. This variety is mostly driven by a strong demand in Somalia's traditional export markets (especially in the Gulf and Middle Eastern countries) for its agricultural products. Somalia's proximity to those markets also confers a freight advantage in terms of cost and transportation time.



Somalia exports a wide variety of agricultural products

Major exports include sesame and dried lemons and substantial forestry products, such as gums and resins, to major global destinations.

Though the Middle East remains the chief market for Somalia's products, improved agricultural inspection and certification systems are opening up new markets.

High-quality and dehulled sesame seeds are now the latest products in demand, with expanding market access to the EU, Norway, and North America.

In 2020, Somalia exported goods worth US\$ 544 million, including livestock, animal skin products, cereals/pulses & vegetable oil, frankincense, and gums.

Somalia is reviving its banana sector and is expected to make a big comeback in its traditional markets, expanding its current average weekly output of 100 containers.

Sunflower seeds and soya beans are the emerging crops whose growth is expected to gain momentum in the years ahead, driven by both domestic and global demand for seed oils.

Recent research on food demand in Somalia has revealed that the consumption of cooking oils is sensitive to income shocks in terms of the quantity consumed^[11], suggesting that investment which generates greater productivity of both novel and existing seed oil varieties will offer excellent opportunities for import substitution as more people find prices becoming more affordable.

Notably, domestic demand for fruits and vegetables is highly seasonal. As a result, national demand is not only sensitive to both income and price shocks but is currently met for a large part of the year by imported and comparatively higher-priced fresh produce.

Investments in the fruits and vegetable sub-sector offer significant opportunities for stabilizing production and increasing productivity. Investments in input supplies, logistics and marketing would support both productivity and quality improvements for a wide range of fruits and vegetables.

These investments could also be localized to increase efficiency through economies of scale. Over 95% of agricultural production and exports come from the southern states of Jubaland, Southwest State, and Hirshabelle, whose climate and fertile soils support the production of various crops.

Almost all domestic and export processing occurs in urban centres but is concentrated mainly in and around Mogadishu. However, small and medium-sized production-processing enterprises are typical in rural towns, closer to the production zones.

More efficient contractual arrangements involving vertical integration and outsourcing are already in place in the country.

For example, the success of Somalia's sesame exports relies on thousands of out-grower smallholder farmers and large growers who can consistently supply the markets, plus progressive improvements in the quality of processing to meet global standards.

4.4 Free Trade and Preferential Market Access

Somalia benefits from several free trade and preferential market access arrangements involving multiple countries. Somalia is a member of the following trade bodies:

- The Intergovernmental Authority on Development (IGAD), with a market of over US\$ 300 million
- The Organization of African, Caribbean, and Pacific States (OACPS)
- The Arab League and Organization of Islamic countries
- Provisional membership granted by the Common Market for Eastern and Southern Africa (COMESA) in July 2018. Somalia is actively pursuing membership of the African Continental Free Trade Area (AfCFTA), where ratification is at an advanced stage following its application to join in 2017
- Somalia has concluded bilateral investment treaties with Turkey, Germany and Egypt, and negotiations for similar treaties with other countries are at an advanced stage.

Somalia is now at the advanced stage of ratification of the African Continental Free Trade Area, a flagship project of Agenda 2063 of the African Union which expresses Africa's own vision and development blueprint for the next five decades. The AfCFTA aims to accelerate intra-African trade and boost Africa's trading position in the global market by amplifying its common voice and expanding its policy space in global trade negotiations. Additionally, Somalia is in the process of seeking accession to the World Trade Organization (WTO).

Somalia also has several bilateral trade agreements with other African and Asian countries. It is anticipated that on ratification, the policy areas found in sub-regional preferential trade areas such as COMESA and the EAC will offer a common regulatory framework, thereby reducing the confusion generated by multiple sets of rules.

These preferential access and trade agreements will enhance the ability of Somalia's produce (especially its agricultural produce) to reach international markets, offering the potential of increased innovation and hence competitiveness of the country's products and services in the global market.

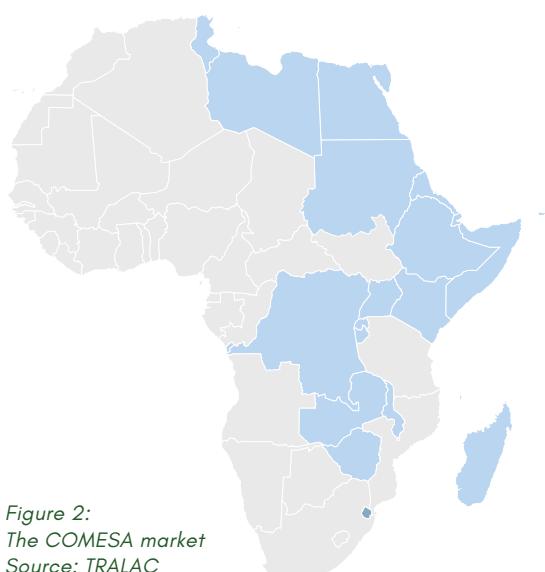


Figure 2:
The COMESA market
Source: TRALAC

Turkey and Somalia have signed a pact to boost their strategic economic partnership, and as a result exports from Somalia have grown in the past ten years.

COMESA members	
Burundi	Malawi
Comoros	Mauritius
D.R. Congo	Rwanda
Djibouti	Seychelles
Egypt	Sudan
Eritrea	Swaziland
Ethiopia	Uganda
Kenya	Zambia
Libya	Zimbabwe
Madagascar	

4.5 Logistics

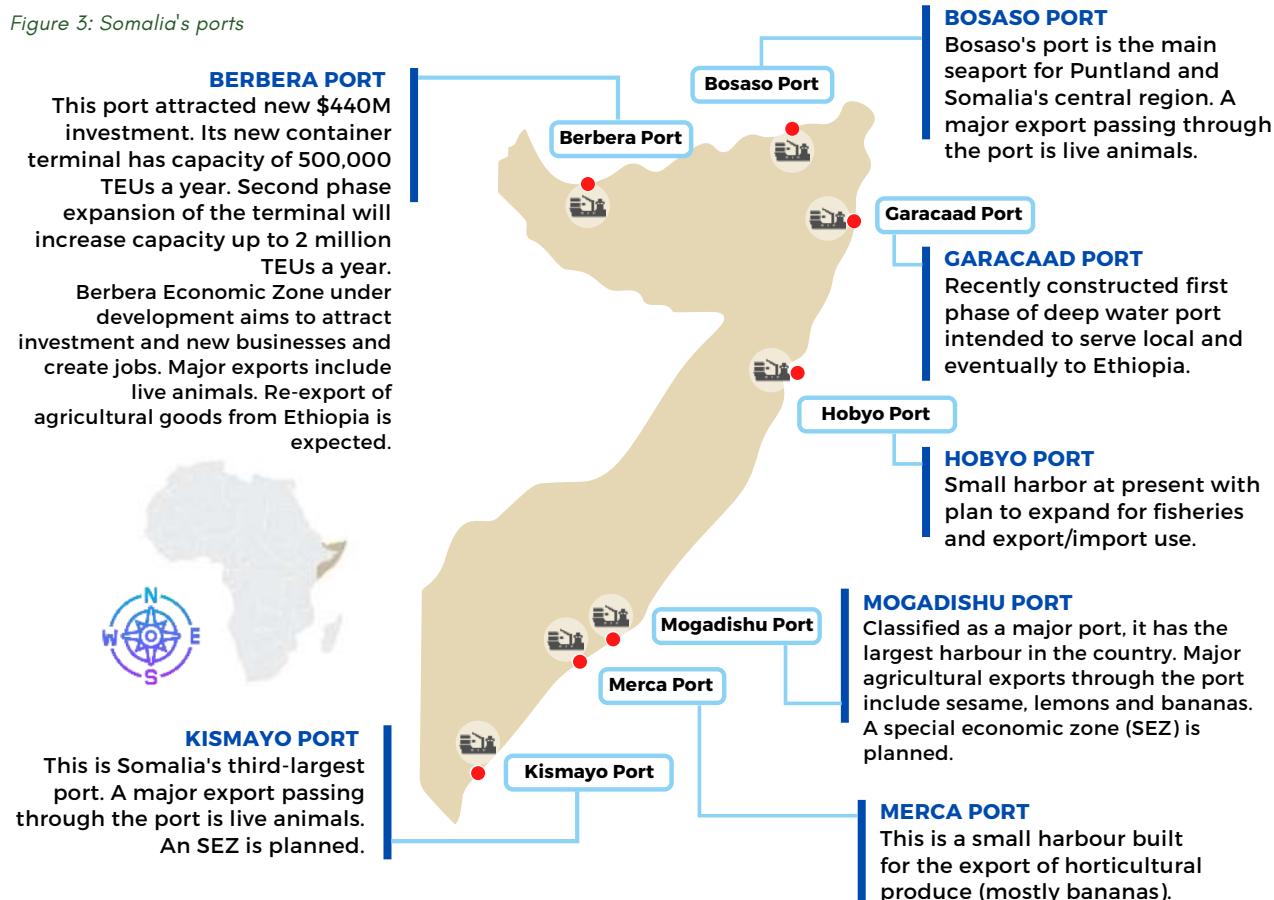
The country has four deep-water ports. These are located in the economic centres of Mogadishu, Berbera, Kismayu and Bosaso.

Large multinational cargo and shipping companies operate in Mogadishu and Berbera, and are already well equipped to handle significant traffic volumes. For instance, Maersk Line restarted its operation in Somalia in 2018.

Similarly, DP World has recently invested US\$ 442 million to expand the port of Berbera and extend the Berbera-Tog Wajaale road corridor to the border and thence to Ethiopia's road network [12].

Furthermore, the development of the Berbera Economic Zone (BEZ) in proximity to the Port of Berbera positions it as the new integrated maritime, logistics and industrial hub for the Horn of Africa. DP World and its partners anticipate investing up to US\$ 1bn over the next ten years to develop the supply chain infrastructure along the corridor[13].

Figure 3: Somalia's ports



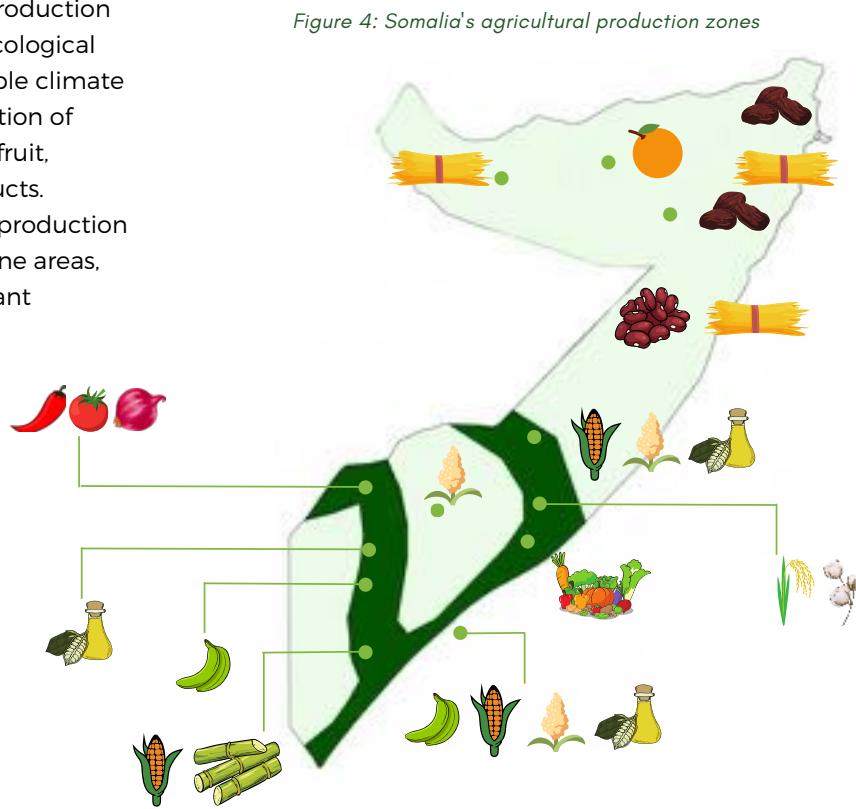
Alongside the potential for expanded regional trade, Middle Eastern countries are some of the largest importers of agricultural produce. Somalia's proximity, and reduced shipment times and costs, present an excellent shipping advantage and major potential for increased exports of fresh produce. For instance, banana exports from Somalia to Saudi Arabia take less than 14 days compared to other exports from Latin America, which can take up to 30 days.

[12] <https://www.dpworld.com/news/releases/dp-world-and-somaliland-open-new-terminal-at-berbera-port-announce-second-phase-expansion-and-break-ground-for-economic-zone/>

[13] <https://www.dpworld.com/news/releases/ministry-of-transport-of-ethiopia-and-dp-world-sign-mou-for-the-development-of-the-ethiopian-side-of-the-berbera-corridor/>

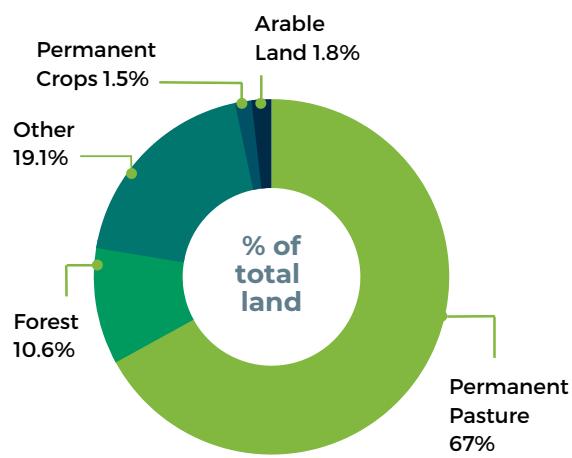
4.6 Agricultural Production Zones

Somalia's diverse agricultural production is reliant on its different agro-ecological zones. Its rich soils and favourable climate support the year-round production of cereals, pulses, vegetables and fruit, among other agricultural products. Even though bulk commercial production is concentrated along the riverine areas, dryland agriculture has significant potential in most regions, especially if investments in climate-smart agriculture technologies are made at a sufficient scale.



Arable land includes land defined by the FAO as "land under temporary crops" (double-cropped areas are counted once), temporary meadows for mowing or for annually sown pasture, land under market gardens or kitchen gardens, and temporarily fallow land. Permanent cropland is defined as land cultivated for crops like citrus, coffee, and rubber which are not replanted after each harvest; this also includes land under flowering shrubs, fruit trees, nut trees, and vines. Permanent pasture and land abandoned due to shifting cultivation are both excluded from the definition of arable land. Arable land is defined as land cultivated for crops such as wheat, maize, and sorghum, all of which are replanted after each harvest. The total cultivated land area is the sum of the total arable land area plus the total area of permanent crops.

Figure 5: Land Use in Somalia



**1.1 million
hectares**

4.7 Opportunities by State

Somalia's agro-climatic conditions vary by region, with the southern states presenting diverse investment opportunities in agribusiness. While commercial crop farming is dominant in the south, livestock production is a significant economic activity in the northern and central regions. Each of the six states provides investors with unique opportunities in a range of agricultural activities that tap into the local endowment of natural resources.

State by State



Jubaland

Jubaland is considered the breadbasket of Somalia. The state offers multiple agribusiness and food investment opportunities. It has the longest and most permanent river, reaching 1,123 km. The state encompasses some large formerly

state-owned enterprises now planned for revival under public-private partnerships. It also has one large port plus some other smaller ports.

Immediate investment opportunities include the input sector, agro-processing, grain warehousing and storage, and horticultural exports. Sizeable areas of agricultural land are available and affordable. Integrated agro-industrial parks are planned.



Southwest State (SWS)

Southwest State offers investors several opportunities. Stretching from Bay and Bakol, and with over 300 km of coastline, SWS is one of Somalia's most fertile areas. The state is home to some of the country's largest banana farms, and includes about 300 km of the River Shebelle.

Its proximity to Mogadishu and easy access to its port makes SWS an attractive investment destination, offering multiple agribusiness and food investment opportunities. SWS has two ports.

To attract investment, the SWS government plans to establish special economic zones and industrial parks in Jazeera, Afgoye and Baidoa.

Primary produce includes horticulture, coarse grains, gums and resins, sunflower, and honey, among others. Agricultural land is relatively cheap.



Hirshabelle State

Hirshabelle State offers investors several opportunities in horticulture, oil crops and coarse grains. The state is the largest producer of sesame in the country, with estimated 150,000 ha under production. The major value chains besides sesame include maize, beans, rice, and horticulture.

The state includes about 600 km of the River Shebelle. It offers the potential for significant commercial production of coarse grains, cotton, sunflower and soya beans. Sizeable areas of agricultural land in the Middle Shebelle region are available and affordable. There is one port, El Macan.



Galmudug State

Located in the country's central region, Galmudug has abundant land for agro-pastoral activities. Livestock production includes camels, goats and sheep.

With climate change, the adoption of climate-smart agricultural practices has increased, with several greenhouses being set up across the state's major urban areas.

Galmudug is also one of the largest producers of cowpeas in the country. The cowpea belt stretches over 100 km and produces over 20,000 mt of cowpeas per year.

Investment opportunities exist in agri-input, fodder production, CSA technologies and advisory services. Galmudug state handles imports and exports via Hobyo port.



Puntland State

Located in the horn of Africa, Puntland is one of the fastest-growing regions in the country. It presents investment opportunities in the agribusiness sector thanks to the growing demand represented by the urban population.

Despite Puntland receiving the lowest rainfall in the country, its agricultural sector has seen rapid growth. Puntland is the country's largest producer of frankincense and date palm.

Bosaso Port is the largest port in Puntland. Garcaad port has also been recently inaugurated. Key investment opportunities include fodder production, date palm farming, climate-smart agriculture, and advisory services.



Somaliland State

Somaliland offers investors in the agribusiness sector several opportunities, including climate-smart agriculture, fodder production, horticulture and gums and resins. It remains the leading producer of guavas and oranges.

Berbera Port is the largest port in the country and has benefited from significant private-sector investment.

Somaliland leads in FDI inflow, thanks to the stable political and security situation that has created an improving business-enabling environment.

4.8 Investing in Agropoles in Somalia

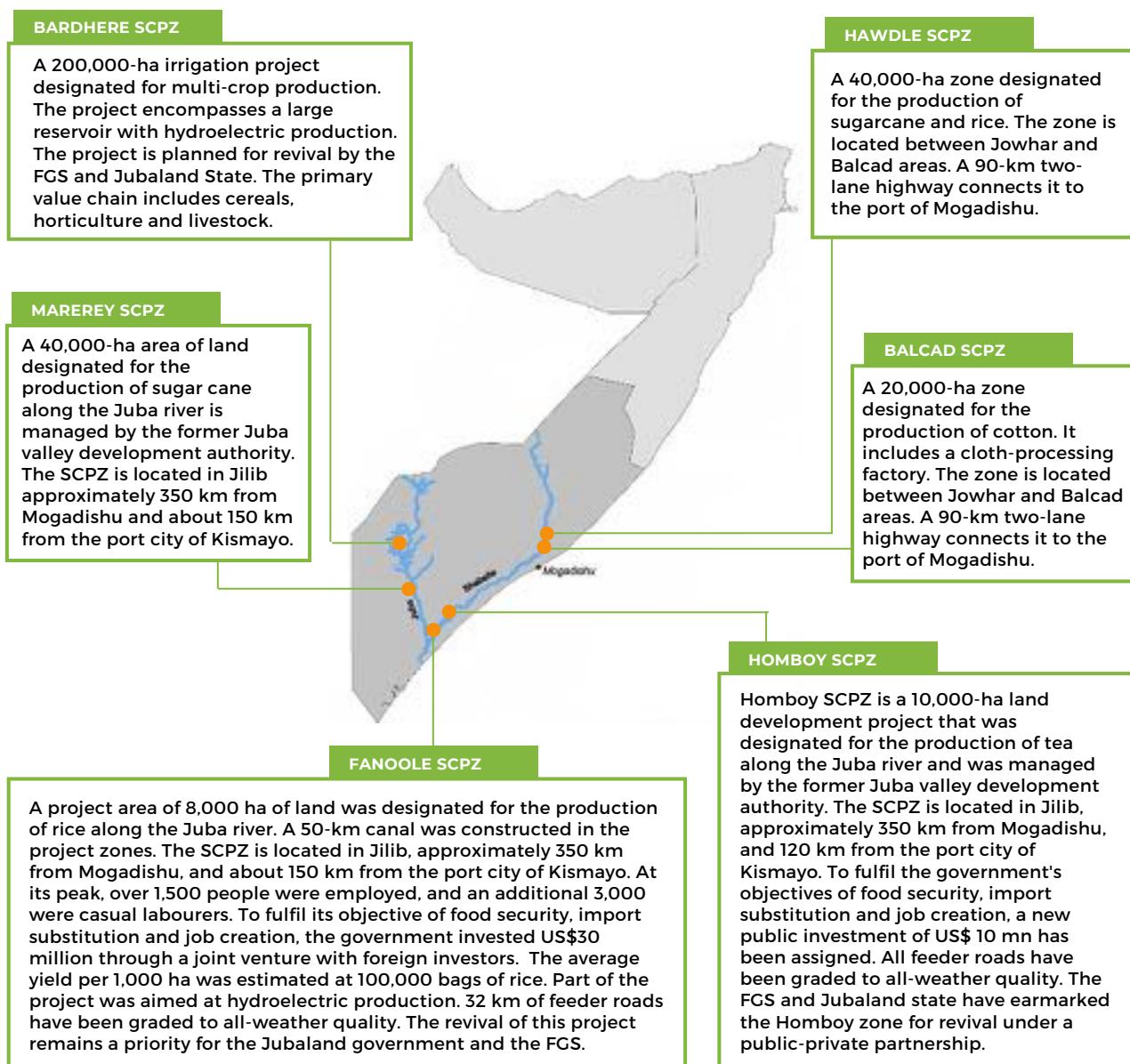
Staple Crop Processing Zones (SCPZ) – Planned for revival

In response to strong market demands and pressing developmental needs for the growth of the continent's economies, Africa's governments have increasingly coordinated their efforts to expand agro-industrial growth. These efforts often have a territory-based focus and are commonly referred to as agricultural growth poles or "agropoles".

The African Development Bank describes growth poles thus: "*Growth poles usually combine public and private investments and are specifically built around an already existing resource at a specific location in an economy. Central to the growth pole is a group of dynamic industries connected around a particular resource*"[14].

Somalia has a long history of state-owned enterprises centred on large agro-industrial parks along the two major rivers. Several farm blocks were equipped with roads and irrigation canals, and often had their own onsite processing facilities. These integrated agro-industrial parks are now planned for revival, and to accomplish this, the government is focusing on public-private partnerships through "Special Purpose Vehicles". Besides these designated agro-parks, large agricultural land blocks of 500-2,000 Ha are also available via PPPs.

Figure 6: Somalia's chief crop-processing zones

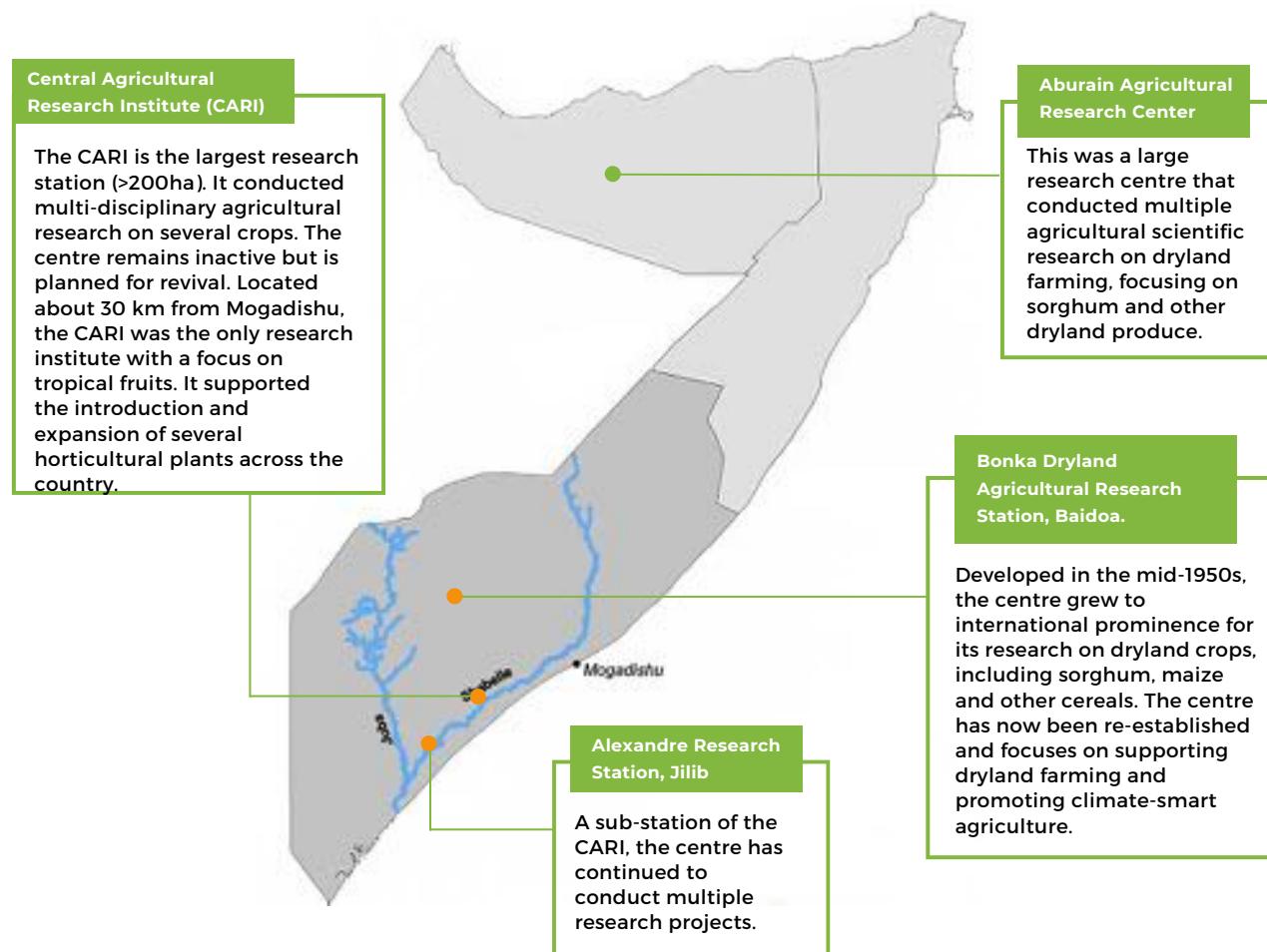


[14] Africa Development Bank, Concept note: Workshop on the role of agropoles and agroprocessing (Abidjan, 22/23 March 2016).

4.9 Agricultural Research Centres across Somalia

Somalia has long been on the forefront of agricultural research, contributing findings for the improvement of global dryland farming technologies. At least 11 public research centres across the country are now undergoing rehabilitation prior to conducting research and offering extension services.

Figure 7: Somalia's agricultural research centres



Besides these public research centres, several private agricultural universities and research centres are under development across the country. For instance, the Somali Agricultural Technical Group has pioneered research on new seed varieties, products and value chain development, and is working on policy-related issues.

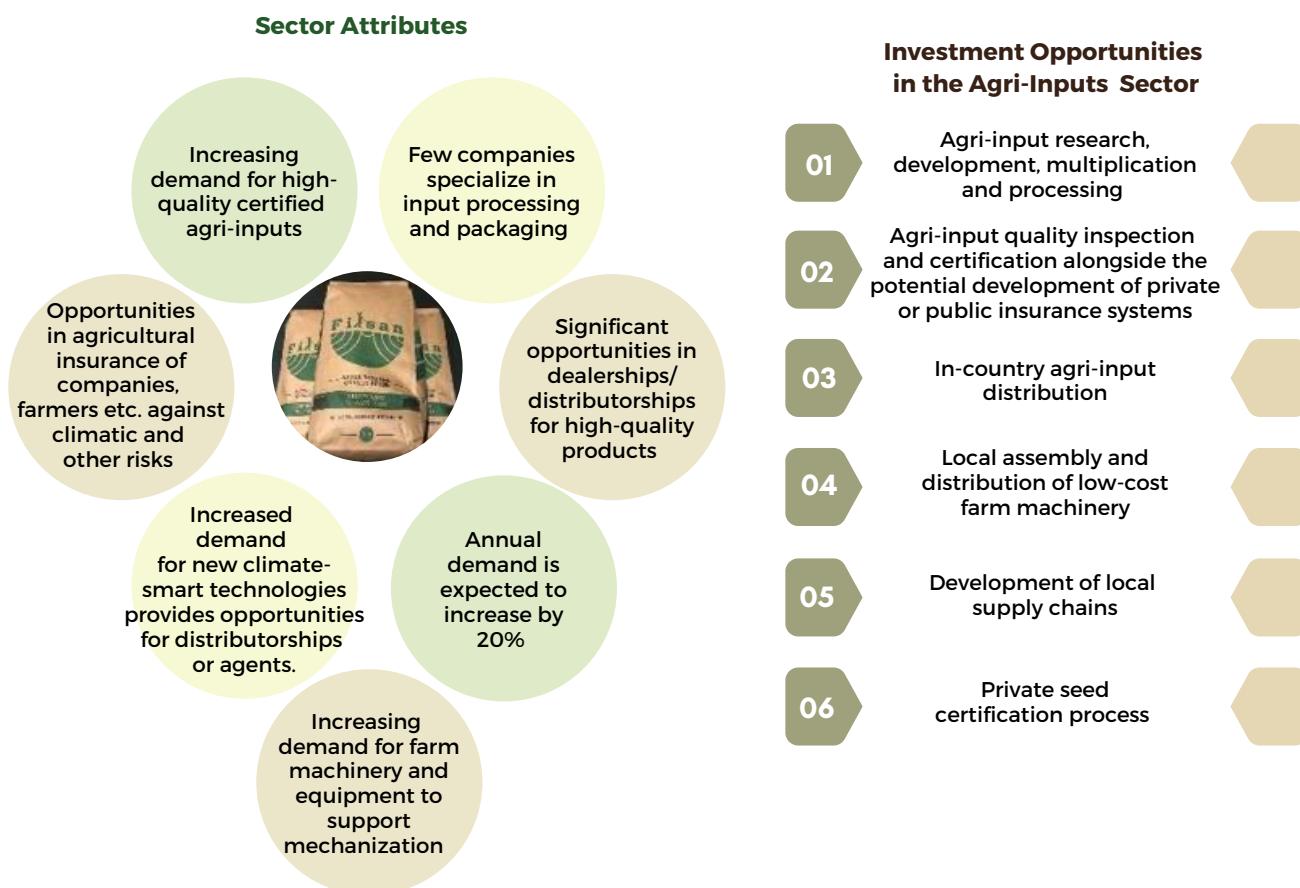
5. Opportunities in the sector and R&D

5.1 Agri Inputs

The agricultural input sector and the associated research and development (R&D) activities, including those involving seeds, agrochemicals, agricultural machinery and related agro-tech, all provide real investment opportunities, with these areas having remained largely unexplored until now.

The growing diaspora business community has significant know-how and managerial skills. This gives considerable scope for investments in large-scale commercial production, making increased use of high-quality inputs to spur productivity.

The industry offers early market entrants a good return across the input categories. Investments by local businesses have also been growing during the past six years. With an estimated US\$ 30 million[15] already invested by a mix of small and medium-sized local firms, the input sector provides an immediate opportunity for early foreign entrants that involves these existing local companies, via joint ventures, franchises, dealerships and agencies. The industry offers investors heightened portfolio benefits if single investors purchase or establish businesses along different parts of the value chain of particular products.



Somalia.
Strategic.
Vibrant.
Abundant.



CHAPTER 5: SECTOR OPPORTUNITIES

i. Research and Development

Somalia is opening up new market opportunities for private-sector R&D firms in the agricultural sector.

The growing farm-level demand for yield-increasing technologies, coupled with strategic public investments in development projects and research, presents private R&D investors in the farming and food sectors with multiple options.

With growing interest in agricultural research and development for new inputs, the GoS is increasingly open to potential partnerships involving both international and local private sector investors in reviving and establishing research centres across the country. In particular, there are opportunities for private investments or co-investments in yield-increasing technologies for large-scale commercial farming. The same investments can enable the government to support small-scale farmers through extension services delivered by the private sector.

R&D sector investment opportunities include biotechnology, climate change research, information technology, seeds and biopesticides (among other possibilities) for improving the quality of inputs.

The growing need for science-based solutions to existing local challenges in climate adaptation in the agricultural sector is emphasized by all stakeholders.

The Somalia seeds and Plant Variety Act offers protection for intellectual property under the UPOV agreement, to which Somalia is a signatory.

Private R&D investment opportunities

- Basic plant biological research
- Plant breeding and the production of seeds and planting materials
- Agrochemicals, including chemicals for plant protection, fertilizers, and biotechnological applications
- Processing, storage, and transport of food
- Agricultural equipment and machinery
- Agricultural information technology
- Agricultural climate adaptation

With public investment in agricultural research and development limited to the generation of policies and strategic investments, private investors can anticipate high returns on their investments. Private investment in agricultural innovation has resulted in new technologies and production techniques that hold significant promise for boosting productivity and helping to meet the Somali government's aspiration to end hunger. Incentives provided by the government include the large agricultural research centres under rehabilitation (each estimated at over 2,000 ha), plus tax incentives.

There is currently no private R&D activity in Somalia's agricultural sector, a unique circumstance that offers major global agribusinesses and specialist smaller companies the real prospect of being the anchor investor in their chosen areas.



ii. Seeds

Somalia's seed sector is underdeveloped and offers significant investment opportunities.

The yields of cereals in Somalia have declined since the early 1990s. One of the key reasons has been a lack of investment, resulting in the absence on the market of improved varieties that are suited to Somalia's agro-climatic conditions. Sustainable seed systems will be critical to support the productivity growth and quality improvements that are required to meet the growing domestic demand, for the production of food and export products.

According to the Federal Ministry of Agriculture and Irrigation, there is a need for private-sector investments in seed multiplication, processing and distribution.

Annual seed demand across southern Somalia (Hirshabelle, SWS and Jubaland) is estimated at 8,000 mt for grain seeds; however, only about 1,500 mt is currently supplied by private companies.

Though it is still small, the market for certified seeds is growing annually, with multiple categories of farmers reportedly using a more significant number of improved and high-yielding certified seed varieties to overcome the effects of the reduction in rainfall produced by climate change.

More importantly, an improved business-enabling environment continues to favour the subsector's growth with the recent establishment of the Somali Agricultural Regulatory and Inspection Services agency (SARIS), which has introduced a national regulatory framework to facilitate the registration, multiplication, and distribution of seeds in Somalia.

Key features of the sub-sector include:

- 99% of the seeds used by farmers are their own.
- There is a growing demand for high-quality seeds in response to climate change-induced effects.
- There is potential for efficient seed multiplication via out-grower schemes, with over 500 cooperatives existing across the country.
- There are a few local companies involved in seed multiplication and processing.
- Large seed multiplication centres identified for PPP were formerly constituted as government research facilities.
- Old and uneconomic orchards in most banana and date palm farms in Somalia, combined with a lack of access to updated propagation and planting material, have resulted in low yields and poor product quality, resulting in the need for specialist plant tissue culture laboratories.

There is a growing demand for different types of seeds and plant materials:

- Hybrid grain seeds on the market include maize, sorghum, cowpeas, mung beans and rice.
- Vegetable seeds: 100% of vegetable seeds are imported. There is currently no local multiplication and processing of vegetable seeds.
- Plant propagation materials. These include tissue culture, fruit tree nurseries, and seedling production.
- Large commercial horticultural companies growing bananas increasingly require clean planting material, with an estimated 20 million cultured plants being demanded annually.

CHAPTER 5: SECTOR OPPORTUNITIES

Key Metrics

- Annual demand for cereal seeds estimated at 8,000 mt
- Annual demand for vegetable seeds estimated at 2,000 mt
- Average price of maize seeds estimated at US\$ 2.5 per kg
- Average price per kg of sesame seeds estimated at US\$ 3
- Annual demand for fruit seedlings:
 - o Citrus demand estimated at 3 million
 - o Banana tissue culture demand estimated at 20 million plants

Emerging favorable regulatory environment[16] to support agri-input investments

- Seeds and Varieties Act
- Plant Protection and Quarantine Law
- Agro-Chemical Act
- Somalia Agricultural and Regulatory Inspection Services (SARIS) Act
- Streamlining of seed registration procedures across the states
- Large public agricultural research centres available for private use
- Private seed certification process

The preferred varieties of all agricultural crops in the Somali market have these characteristics:

- Early maturation
- Drought tolerance
- High yield

The demand for disease-free plants has created a problematic situation for large commercial banana growers, who require over 20 million new banana plants annually. The production capacity of the existing laboratory is only about 200,000 plants per year.

How to register new seed varieties in Somalia

- STEP 01** Short registration process for release of new varieties – online submission of detailed scientific data
- STEP 02** Low costs, with competitive registration fees
- STEP 03** Tests performed in pre-approved countries in the region are accepted. Reported seed attributes, such as varietal distinctiveness, uniformity, and stability testing data, are accepted from foreign authorities with existing technical cooperation with Somalia.
- STEP 04** Seed import permit issued for new and highly improved varieties
- STEP 05** Private seed companies can produce “early generation seed” from public varieties, i.e. Somtext for maize

[16] A comprehensive legislative package establishing SARIS and a legal framework for the official control of phytosanitary services, agrochemicals and seeds has been passed by the Lower House of Parliament and is expected to be approved by the Upper House shortly.

CHAPTER 5: SECTOR OPPORTUNITIES

iii. Agrochemicals

Somalia is modernizing its agricultural production from being primarily small-scale to large-scale commercial farming systems, especially in the inter-riverine regions having abundant suitable land and water. Demand for high-quality agrochemicals is anticipated to grow in response to the increased production scale, leading to greater crop productivity.

Currently, Somalia imports 100% of all its agrochemical inputs from as far away as Asia. Major imports in this category are pesticides and fertilizers.

Benefits of registering new fertilizers and CPPs

- Efficient fertilizer product registration due to the reduction in time needed to register a new product
- Lower registration cost
- Quicker registration of organic fertilizer
- Fast-tracked registration of efficient new products

iv. Fertilizers

A recent soil mapping exercise in Somalia has indicated a deficiency in significant macro- and micro- plant nutrients; hence there is a need for the increased use of nutrient products to enrich soils, such as organic and chemical-based fertilizers.

Most fertilizer is imported from a variety of countries with little or no sourcing-related quality assurance. Fertilizer demand is estimated at 250,000 mt per annum[17] with an estimated yearly increment of 5%. Fertilizer application rates are increasing; in commercial operations they average 20kg/ha.

Robust growth is anticipated following the revival of high-value agricultural commodity production. There is limited importation of fertilizers, which are valued at only about US\$ 5 million per year.

v. Crop Protection Products (CPP)

Growing pest and disease pressures due to the changing climate are steadily reducing farm yields, so farmers are looking for new science-based and environmentally friendly solutions.

Recent indications from the Ministry of Agriculture indicate that the demand for crop protection products (CPP) is expected to grow by 20% annually with the revival of sizeable areas of commercial land. Biopesticides appear to be gaining more acceptance from farmers as they become more environmentally conscious. The government has been promoting integrated pest management practices.

- Low-quality cheap imports dominated the market for a long time. Their ineffectiveness has resulted in farmers switching to higher-quality, more effective products.
- The high pest and disease pressure is increasing the demand for good-quality crop protection products.
- Growing demand for the use of plant nutrient-enhancing products.
- Private training on PHI, efficacy trials, etc.

The government encourages foreign investors to explore the agrochemical industry. This has potential for growth following the government's creation of a friendly and business-enabling environment to attract foreign investment in the country's agrochemical sector. This includes the recent introduction of the Agro-chemical Act, which is expected to be enacted shortly. The Act is intended to support product registration and licensing. Additionally, SARIS plans to streamline the issuance of permits to encourage foreign direct investment in the agrochemicals industry.

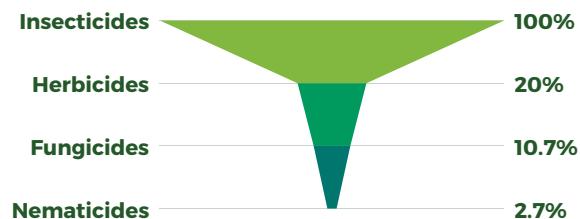
Existing private companies are open to joint ventures, franchises, and distributorship agreements.

Biological crop inputs in high demand include:

- Biofertilizers
- Biopesticides
- Biofungicides
- Biostimulants
- Other biological controls

According to an estimate from the Ministry of Agriculture, the market size for agrochemicals is US\$ 20 million, and is expected to grow to US\$100 million by 2030.

Figure 8: CPP market share in Somalia per product category





vi. Agricultural Machinery

As agricultural production becomes more mechanized, more and more farmers are seeking to adopt the latest farm machinery. These include farm tractors and modern irrigation systems.

While the country's level of farm mechanization remains low, the revival of large commercial farms will significantly boost demand for farm machinery, including tractors, planters and combine harvesters. Somalia's current existing tractor stock is estimated to be 5,500 units. The annual demand is for 1,000 new or used tractors.

Somalia's growing demand for farm mechanization includes:

- Equipment for ploughing land, combine harvesting and planting
- Tractor leasing
- Modern irrigation systems
- Local manufacturing, supplies, and assembly
- Financing for machinery
- Maintenance and spare parts
- Handheld tractors for smallholder farmers

Large commercial farmers:

This category of farmers includes those with more than 20Ha of land who are already using mechanization in one form or other. The following are in high demand in this category:

- Tractors, planters, combine harvesters and motorized sprayers
- Maintenance services and spare parts
- High-precision and solar-powered irrigation systems; overhead sprinklers, pivots, rain guns

Smallholder farmers:

- Low-cost technology; hand-operated tractors, manual sprayers/motorized sprayers, solar-powered irrigation systems

Favourable investment environment

- Tax exemption for all agricultural farm machinery, including tractors.
- Shorter processing period and low cost of tractor registration.
- Agricultural machinery financing through bank credits.
- Farm machinery leasing program for cooperatives.
- Digital farm machinery applications and software require the development of measures for their support.

vii. Agro Tech

Younger and better-skilled farmers have a greater tendency to adopt high-tech agricultural production systems.

The application by modern farmers of data science and advanced modelling – as well as feeding the models with publicly available data such as weather information – shows their great interest in adopting ICT in their agribusinesses.

Their demand for digital farm tools includes; farm management software, farm mapping, water management systems, climate-sensing technology, and pest and disease stress sensors connected to mobile application.

Agri-input distribution mechanisms

Market entry models

- Market penetration through the establishment of local offices and direct sales.
- Market penetration through distributors and agents across the country.
- Market penetration through collaboration with downstream supply-chain partners.



Case Study 1: Agri inputs

Filsan is the largest seed company in Somalia. With an investment of US\$ 3 million, the company has positioned itself as a leading producer and distributor of high-quality agri-inputs. The primary product line includes cereal seeds, oil crop seeds, plant tissue cultures, and farmer advisory services.

Filsan is owned and managed by technical experts in plant breeding and seed science. Headquartered in Mogadishu, the company has large farms in Afgoye plus other distribution centres across the country. The company employs approximately 50 staff for production, processing and distribution.

Filsan is expanding its distribution network as part of its initiative to grow its market share across Somalia, and now has agents and one-stop shops in all the member states. It operates large seed production sites and out-grower schemes, with thousands of farmers dotted along riverside areas who have strengthened and increased the consistency of the inputs available to farmers via the production of high-quality seeds.

The company has state-of-the-art seed processing equipment for cleaning, sorting and packaging seeds, with a capacity of 100 mt per season. Filsan intends to scale up its seed production activities and expand the marketing of high-quality seed to farmers throughout the country. Currently, the seeds produced and packaged by Filsan include maize, sorghum, cowpea, mung bean, sesame, tomato, onion, sweet pepper, chilli pepper, carrot, watermelon, lettuce and Swiss chard.

Filsan has over 200 ha of farmland in Lower Shabelle, where it conducts research and seed multiplication. The company has over 6,000 out-grower farmers engaged in seed multiplication.



CASE STUDY

The company operates the only plant tissue culture facility in the country, focusing on bananas, sweet potatoes and other vegetatively propagated crops. This disease-free technology has created a win-win situation for large commercial farmers whose annual demand is for over 20 million new plants. The current capacity of the laboratory is only about 200,000 per year.

Filsan provides farmer advisory and training services, a service much needed by smallholder farmers.

With the recent establishment of Somali Agricultural Regulatory and Inspection Services (SARIS), the business-enabling environment in the agri-input sector continues to favour the growth of the industry. Filsan, a pioneer in the seed sector, remains compliant with seed regulations, as its processes are continuously inspected by SARIS's plant and seed inspectors.

Through its sister organization Somali Agricultural Technical Group (SATG), Filsan is conducting agricultural development research and development activities across Somalia. It has pioneered and owns multiple local seed varieties. Dennis Thompson LLC and Seedburo Equipment Company have jointly awarded Filsan Somalia exclusive Seedburo Equipment Company Agent Representative status for Somalia, Kenya, Ethiopia, Uganda and post-US embargo South Sudan.

The company has also been awarded general representation rights throughout the region. Filsan Somalia looks forward to supporting the commercial, regulatory, academic, developmental, and aid provider needs by offering the high-quality Seedburo product line in East Africa. It also strives to observe ethical business practices.

Filsan continues to invest in research and development to introduce new seeds and other inputs for the market that are well adapted to the local agro-ecological conditions:

- High-performing & resilient indigenous varieties
- High-yielding varieties and inter-varietal hybrids
- Drought tolerance
- Early-maturing seeds

Filsan's value proposition is:

- High-quality, certified and trusted seed varieties with an average increased yield of 43% compared to local maize varieties
- A local brand with a significant market share in the Southwest and Hirshabelle states
- State-of-the-art plant tissue laboratory
- Large research centres for R&D
- Large out-grower schemes
- A distribution network spanning the major agricultural production zones
- Openness to distributor/franchise arrangements with large seed and agrochemical companies.

In 2021, Filsan was voted company of the year in the agri-business category in Somalia.

For more information, visit

www.filsansomalia.com

CASE STUDY



Case Study 2: Farm machinery

Jubba Agro is recognized as a leading Somali importer and supplier of both large and small-scale farm machinery such as tractors, cultivators, implements, attachments, farm accessories, and inputs.

The company specialises in the sales and leasing, service and maintenance of farming equipment such as tractors, seed planters, ploughs and sprayers. Jubba Agro's main operation office is in the Afgoye district of the Lower Shabelle region, with its sales office being located in Mogadishu.

Jubba Agro is among Somalia's most competitive companies in the agricultural machinery sector. The company's products have been granted agricultural machinery promotion certificates from both the Federal government and state governments.

Jubba Agro has established a partnership/import relationship with the Nardi Group, one of Italy's leading agricultural machinery manufacturers, for the distribution of high-quality machinery in Somalia.

Financing for the project is provided by Premier Bank, one of the leading banks in Somalia, which has qualified Jubba Agro to establish the partnership with Nardi Group by signing a bilateral agreement.

This partnership will help the bank, via the Bank Guarantee System, to give small-scale farmers across Somalia access to cost-effective farm machinery.

Value proposition

- Providing high-quality, cost-effective farm machinery
- Increasing and stabilizing agricultural production and productivity
- Helping farmers to improve their farming processes
- Helping farmers to increase their crop yields

Key Metrics

Main market:
South central Somalia

Types of agricultural machinery and equipment:
Tractors, seed planters, ploughs and sprayers

For more information, visit
<https://jubbaagro.com>

5.2 Commercial Cereal Production

i. Investing in Staple Crops

Somalia is food-insecure, with an estimated 4.1 million people affected annually by a lack of access to food[18]. Currently, it is primarily import-dependent for critical cereal grain supplies, mainly wheat and rice. Regarding the recent global crisis[19] affecting the supply chain, the government intends to spearhead strategies to increase local production to mitigate the negative impact.

Coarse grains (cereal grains other than wheat and rice or those used primarily for animal feed or brewing) are staple foods across the country. However, consumption is significantly higher in south and central Somalia. The demand for grains is growing by an estimated 15% annually, driven by expanding urban populations, changing demographics and increasing income.

Most of the production is dominated by smallholder subsistence farmers. Maize, sorghum, and beans are major food crops in the country that are consumed nationwide, especially in the southern states where the production is concentrated. These seasonal crops are mainly rainfed, and output is limited to the two main rainfall seasons of April-June and October-December. Most production is in Lower Shabelle, Middle Shabelle, Middle Juba, and Lower Juba. Grain production is typically rainfed in the Bay and Bakool regions. It is often impacted by extreme weather events, especially by the drought and extended dry spells that are expected to occur in the context of a changing climate, leading to reduced farm productivity.

Much as with most other sectors, cereal and bean productivity per ha remains low. Underlying production constraints prevent farm output from meeting the growing market demand. The country's production is estimated to be below 50% of the demand, providing investment opportunities.

With the availability of large tracts of irrigable land for cereals/beans, investment in commercial production offers a vital opportunity to supply the local market and augment exports to countries in the region where demand is high. With large-scale investments and areas, production costs are expected to reduce, enhancing price competitiveness in the market. Somalia has the potential to double or even triple its current output through private investments. Profitability in agriculture correlates with scale. Expansion of the areas under production will lead to economies of scale and greater profits, especially for the production of coarse grains that are easily marketed post-harvest.

[18] <https://reliefweb.int/report/somalia/more-41-million-people-somalia-face-acute-food-insecurity-crisis-ipc-phase-3-or-worse#:~:text=The%20key%20drivers%20of%20acute%20food%20insecurity%20in,rainfall%20distribution%20and%20conflict.%20Moreover%2C%20approximately%201.4%20million>

[19] <https://reliefweb.int/report/somalia/ukraine-conflict-soaring-food-and-fuel-prices-threaten-wellbeing-millions-east>

CHAPTER 5: SECTOR OPPORTUNITIES

Coarse Grains Sector Attributes



Investment Opportunities in the Coarse Grains Sector

- 01** Investment in the purchase/ lease of large areas of commercial land for the production of coarse grains in irrigated schemes
- 02** Contractual farming through farmer cooperatives and associations
- 03** Introduction of advanced technologies that will boost productivity
- 04** Adoption of mechanization: distribution and servicing of tractors and harvesters
- 05** Co-investment in grain storage, such as silos and other post-harvest technologies
- 06** Co-investment in logistics and the transport of grains



SomGrain Company LTD

Case Study 3: Grain processing

SomGrain is the largest grain processing company in Somalia. Established in 2017, the company remains the only miller with the capacity to mill maize, sorghum and pulses on a large scale.

With an average market share of over 50% in urban areas, SomGrain's products include:

- Maize flour
- Mixed maize/sorghum
- Porridge-making products

In an effort to supply the market with the best products, the company undertakes consumer preference studies and adjusts its product formulations to meet the demands of the market.

As a manufacturer of fast-moving consumer goods (FMCG), the company has developed a robust distribution network across urban centres. Its products are sold at wholesale, retail and supermarkets all around Mogadishu and other urban areas, including in Puntland and Somaliland.

The company sources its fresh raw materials from farmers across Somalia at harvest time. Through agreements with third-party procurement companies that maintain regular relationships with growers, SomGrain is able to efficiently source and purchase from farmers.

When local production is low, the company imports maize (chiefly from Ethiopia), though the cost of imported maize is usually higher than for locally sourced maize.

Maize remains a dietary staple in Somalia, even though cheap imports of rice and spaghetti remain popular in the market.

For more information, visit
<https://somgrain.so/>

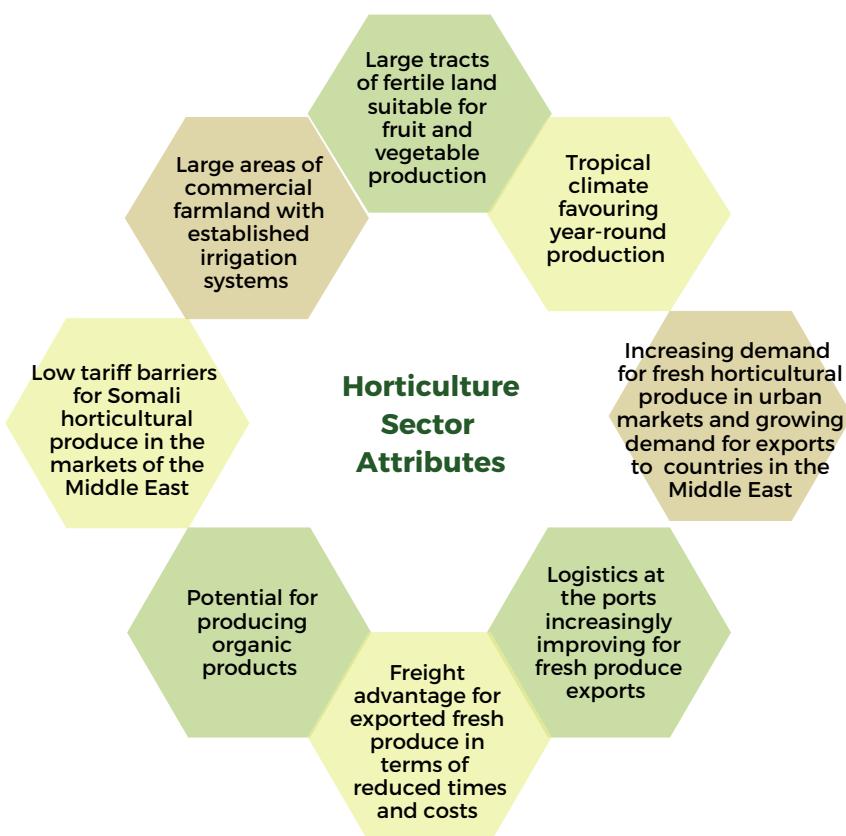


5.3 Horticulture

Somalia's diverse agroecological zones and climatic conditions, plus the country's strategic location vis-à-vis significant horticulture export markets in the Middle East and Far East, have contributed to the consistent growth of the horticulture sector during recent decades. The horticulture sector is responsible for about 45% of agricultural GDP[20] and is the fastest-growing agricultural subsector, recording average annual growth of 15-20%. With the exception of bananas, the subsector is dominated by small-scale producers who contribute about 70% of the total output. The horticulture sub-sector predominantly serves domestic markets, with only about 2% of annual production being exported to regional and global markets.

Given the importance of this sub-sector, the Somali government has strengthened the current organizational structures and the general standards imposed on the industry in recent years (including compliance with regulatory and market requirements) by setting up competent authorities like the Somali Agricultural Regulatory Inspection Services (SARIS).

Across Somalia, investment in the horticulture sector has increased significantly as investors have responded to consumer demand and import substitution. The results are enhanced sales and greater profitability, especially with high-value fruits and vegetables.



Investment Opportunities in the Horticulture Sector

01

Commercial-scale production of high-value fruits and vegetables for export markets

02

Investment in cold chain infrastructure and logistics, including freight etc.

03

Investment in fruit handling and processing centers in production zones, at ports and at the airport

04

Private inspections and certification for market standards, including organic certifications like Global GAP

05

Packaging materials for fresh produce (cartons, plastics etc.)

06

Provision of forecasting, agricultural advice and market data services

07

Investment in laboratories promoting plant health and quality plus food safety. Products for integrated pest and disease management

08

Investment in modern irrigation systems, including sprinkler irrigation

09

Financial services and credit for large-scale producers and exporters

i. Vegetable Production

Somalia's vegetable production has expanded in recent years due to demand growth from expanding urban populations. The chief vegetables include tomatoes, onions, lettuces, sweet peppers, chillies, cucumbers and watermelons.

While most of the vegetables are produced in riverine areas and open fields, there is a growing uptake of new technologies for vegetable production. Multiple SMEs in Puntland and Somaliland have embraced modern vegetable production techniques.



Dry Lemon

Somalia is one of Africa's largest producers and exporters of dry lemons, from which it derives a substantial export income.

The production area is estimated at over 20,000 ha across the riverine areas. Even though there are two peak seasons (June and December), lime trees yield more or less all year round. Major varieties include: Meyer, Eureka and Lisbon. The total annual revenue per hectare is estimated at US\$ 8,410 per hectare, which is high compared with other crops.

Export volumes include:

- Export value: US\$ 80 mn (Sominvest)
- Major markets: Middle East, Turkey



Mango

Somalia's mango production dates back centuries, with an estimated 2 million trees. Production is mainly in the riverine regions of Juba and Shabelle. Growing numbers of investors have shown an interest in mango exports. The most common varieties are popular both for direct consumption and for juice processing.

New, improved varieties with less fibre have recently been introduced in Somalia. A fully productive "Borbo" or "Dhodo" mango tree yields about 1,200 fruits per year. Assuming 100 plants per ha and 1,200 fruits per tree, the average gross return comes to US\$ 120 per tree per year and a gross return of US\$ 10,000-12,000 per hectare by the fifth year.

The demand for mango fruit is growing internationally. The fruit can be exported as freshly processed pulp. There is an increasing regional and global demand for mango juice and other processed products, such as dried mango, confectionery products, jams etc.

CHAPTER 5: SECTOR OPPORTUNITIES

ii. Fruit Production

High-value chains in the horticulture sector include:

Bananas

Until the early 1990s, Somalia was the largest exporter of bananas in Africa, with exports of over 200,000 mt annually. The lower Shabelle region in Southwest State has traditionally been the epicentre of banana production, extending from the Balcaad area through Afgoye and Jillib to the Golweyn areas. With over 12,000 ha under production, this area represents over 90% of the total output. Middle and Lower Juba are also large banana-producing zones. Bananas are mainly produced by 150 large-scale commercial farms whose land areas range between 40 ha and 1,000 ha. Domestic demand is growing, with the annual supply to Mogadishu city alone reaching 75,000 mt per year.

A well-maintained hectare of banana plants can produce 220-300 quintals in its first year and 660-900 quintals annually after that. While the price varies from season to season, the average price in local markets is US\$ 30/quintal and about US\$ 35 per quintal for exports, with an average annual cost of production of US\$ 1,500-2,500 per hectare. The annual return on investment per hectare is estimated at US\$ 5,000-10,000, depending on the location.

The Somali-Turkish trade agreement has brought renewed interest from other Middle Eastern countries in Somalia-related opportunities. Turkey has set an annual quota of 100,000 mt of banana imports from Somalia.

- Highly skilled labour in banana production and exports
- Existing infrastructure for the outputs of large farms
- Several on-site banana processing facilities in the production zones
- Improved road infrastructure connecting Lower Shabelle and Middle-Shabelle to Mogadishu port, with a 120 km dual carriageway to the port
- Tax incentives for all horticultural exports



Key Metrics

Land



10,000 ha of banana production

Labour



170,000 people working in the sector

Export Market



- Middle East
- Turkey

Other high-value fruits and vegetables with export potential that do well in Somalia's climate include:

- Pineapples
- French beans
- Flowers
- Guavas
- Passion fruit

CHAPTER 5: SECTOR OPPORTUNITIES

Grapefruit

This fruit, rich in Vitamin C, is commonly grown along the Middle and Lower Shabelle's river banks. Grapefruit is supplied to the market throughout the year. Current production is estimated to cover an area of more than 5,000 ha.

There are seven varieties of grapefruit in Somalia, six of them with white or pink flesh and one with red flesh. The white/pink varieties include common varieties like Shamba, Thompson and Redplush.

Consumer demand is high, and these varieties are widely marketed. They are therefore mainly propagated and produced on a large scale. While these varieties are in high demand locally, grapefruit is also desired by export markets, but this potential has not yet been explored.



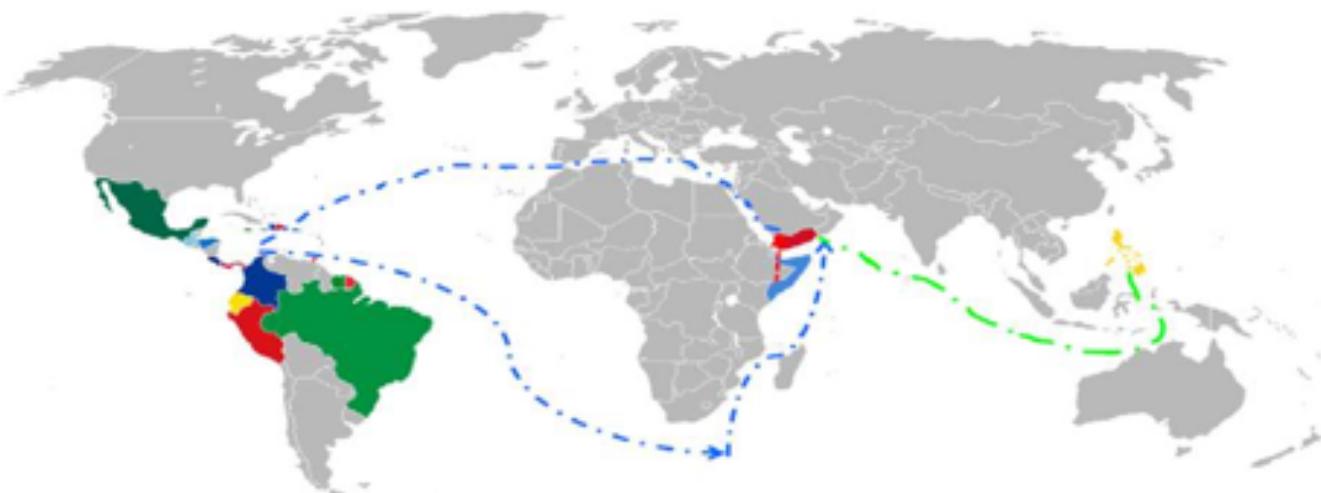
Chillies

The export of fresh or dried chillies presents investors with a great opportunity as the demand for them continues to grow in export markets. The product has a shelf life of over two years, and is enjoying relatively stable prices in international markets.

Return on investment for dried chilli is estimated at annual earnings of about US\$ 9,800 per hectare. The return increases to around US\$ 25,200/ha for chillies that are exported fresh.

Chilli farming also creates many jobs. A farm of 1,000 hectares directly and indirectly generates about 2,000 jobs.

Figure 9: Somalia's banana exports on the global map, illustrating the country's location-based competitiveness versus other countries.
Sources: USAID/GEEL





Moumin Group of Companies

Case Study 4: Banana production

The Moumin Group of Companies (MGC) has been established for almost 40 years. Its founder, Mr. Abdulrahman A. Moumin, set up the company in 1983 under the name "Moumin Enterprises".

Over the years, Moumin Enterprises has expanded, offering new products and creating synergies in the subsidiary companies of the group through joint operations. The various companies were eventually merged into the flagship Moumin group of companies (MGC).

Since that time, MGC has become a pioneering and diversified group, offering products that span the gamut of Somalia's consumer trade.

MGC was among the first large exporters of mangoes and watermelon from Somalia. However, in the mid-1980s, MGC diversified and established one of the largest banana farms in the country, with about 300 ha under production in Afgoye, 18 km from the main port of Mogadishu. The farm produces 43.5 tonnes per hectare, and has an annual production capacity of 13,050 mt.

The company has invested over US\$ 3.5 million to revive its banana plantations, as well as established the largest banana processing centre in the Horn of Africa. This has a capacity of six 40-ft. containers a day.

The packing house is equipped with state-of-the-art banana processing equipment, including cableway systems. MGC also employs banana production and processing staff who have been highly trained in Costa Rica. The initial test exports of the new "Somali Bananas" brand were to Saudi Arabia and Turkey, where Somali bananas have traditionally enjoyed a solid market.

For more information, visit

www.moumin.com

5.4 Oil Crops

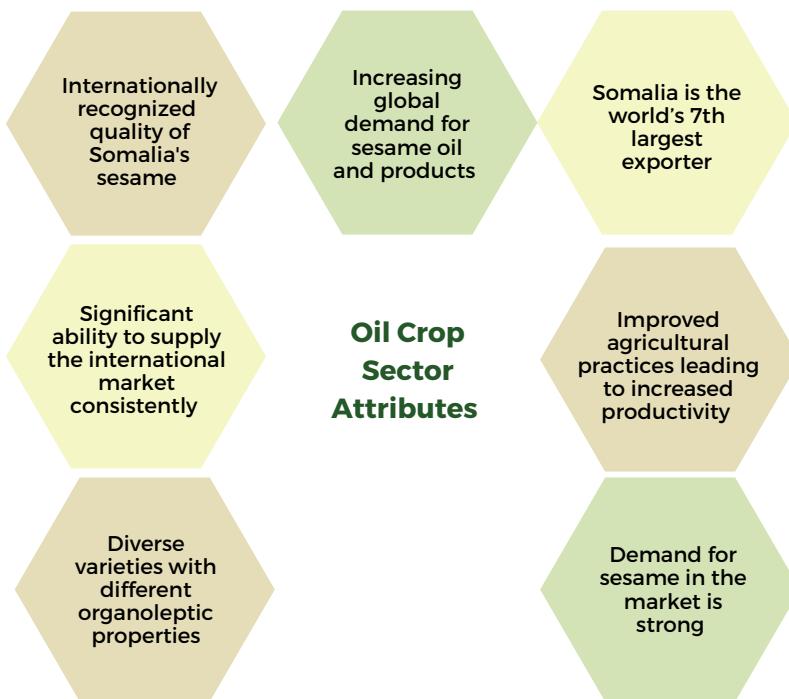
i. Investing in the Sesame Value Chain

Sesame is the principal oil seed crop grown for consumption and export by an estimated 150,000 to 250,000 Somali farmers, the majority of whom are smallholders owning 1 to 2.5 hectares of land. Large-scale commercial production represents only about 20% of the total.

Approximately 80% of the production is concentrated in the southern regions of Lower and Middle Shabelle, though rainfed production is increasing in the Bay and Bakool, Gedo and Awdal regions. Yields have traditionally been modest, with rainfed farms producing 0.5 tons per hectare, and irrigated farms 0.7 tons/ha.

The demand for sesame seed has grown globally, primarily because of the oil's health benefits compared to imported oils. Several large enterprises export sesame to markets such as India, UAE and Turkey.

In 2020, production reached 80,000 tons valued at US\$ 340 million[21], with 25 per cent of it (15,000 tons) exported and valued at US\$ 50 million. The production cost per kg of sesame is estimated at US\$ 0.6, and the selling price to buyers at US\$ 1.5 per kg.



Products and by-products

- Sesame oil
- Cake
- Confectionery
- Animal feed
- Cosmetics



ii. Investing in the Sunflower Value Chain

Somalia's production of sunflowers dates back to the early 19th century, when the plant was first introduced. However, production for domestic consumption was initially low due to competition from low-quality and less expensive palm oil imports from other countries. The increasing demand for sunflower oil is once more being seen as an opportunity by large and small producers, with improved seed varieties having been tested and found suitable under both rainfed and irrigated production methods.

Annual domestic consumption of sunflower oil imports in Somalia alone is estimated at over US\$ 30 million[22]. In 2021, global[23] exports of sunflower oil were forecast to increase by 14% year-on-year, reaching 12.6 million tonnes. The EU, China, India, Iraq and Turkey feature among the most attractive destinations for export, due to rising food demand from expanding middle class and urban populations, according to publicly available trade data.

In 2020, the average price for sunflower oil was US\$ 795 per tonne. By 2022 this price had doubled. Over the coming year the price of sunflower oil is expected to triple, driven by robust demand, hence Somalia's need for investment in this value chain.

Investment Opportunities in the Sesame Value Chain

- 01** Purchase of farm blocks for large-scale commercial production
- 02** Investment in sesame oil processing facilities, especially oil pressing
- 03** Supply of sesame farm machinery
- 04** Provision of farm advisory services
- 05** Provision of quality assurance and food safety certification
- 06** Supply of packaging materials

Investment Opportunities in the Sunflower Value Chain

- 01** Large commercial farming of sunflowers
- 02** Export of sunflower seeds to importing countries
- 03** Investment in sunflower processing facilities to supply the domestic and export market
- 04** Development of new seed varieties
- 05** Development and supply of high-tech seed production and processing equipment

[22] Estimates from the Federal Ministry of Agriculture and irrigation.

[23] <https://www.globaltrademag.com/rising-demand-drives-global-sunflower-oil-market-despite-the-ongoing-price-rally/>



Case Study 5: Sesame processing

Som Seed Agri Limited, established in 1997, is the largest sesame processing company in Central and East Africa. In 2005, it transformed the sesame industry by investing in Somalia's first seed cleaning and sorting machines to meet the demand from lucrative markets in the Middle East.

In 2019, with an investment valued at US\$ 2.6 million, the company once again raised the bar in sesame processing by opening the country's largest processing plant in Mogadishu. It is equipped with modern dehulling machines that produce the creamy white seeds used by the bakeries whose products are found on the grocery store shelves of high-value markets in Europe and Asia.

To begin with, the new plant was operating at a capacity of 3 mt per hour, second only to a processing plant operating in Nigeria with the highest capacity in Africa. The company employs at least 30 staff in the processing, packaging and distribution of its products.

Each year, Som Seed exports 5,000 metric tonnes valued at US\$ 11 million to wholesalers in Germany, Italy, the Netherlands, Russia and Poland, who in turn supply bakeries and confectioners. The company has earned the trust of buyers from the Middle East to Europe by reliably offering first-rate flavour, preferred colour, and near-perfect purity.

Som Seed has successfully expanded the realm of the possible in terms of sesame value, and has extended the reach of Somalia's sesame seeds in the global market.

Recognizing the unmet demand that exists in Somalia's domestic markets, the company has also invested over US\$ 150,000 in a sesame oil-processing system for the local market, and is now producing sesame oil exclusively for that market. The sesame cake by-product discarded after extracting the oil is sold to local dairy farms as a nutritious form of fodder.

Som Seed recognised the need to meet international SPS and food handling standards as exporters. The company successfully pursued and attained food safety system certification (FSSC 22000) from the world's leading quality assurance organization, the Société Générale de Surveillance (SGS). This has allowed it to access the highest-value markets like those of the United States and Japan. It has increased its turnover to 10,000 mt per annum by expanding the capacity of the plant from 3 mt per hour to 5 mt. To improve its access to raw materials, the company has engaged 1,850 smallholder farmers as out-growers in the growing regions of lower and middle Shabelle, providing support with quality inputs such as seeds, tractor hours, and facilitating the desilting of canals for efficient irrigation. The company also serves as a local market maker, acting as a buyer from brokers who aggregate from smallholder farmers in other sesame-growing regions.

CASE STUDY

Som Seed does not merely represent Somalia's production and quality potential on the global market, but also serves as a model business for other local investors, proving that strategic investment in agro-processing can be profitable and competitive in the international markets.

Som Seed's value proposition:

- High-quality sesame that can compete in the global market
- Second-largest processing plant in Africa
- Local brand with access to high-value markets in Europe and Asia
- FSSC 22000 food safety management certified
- Reliable supply chain via a network of around 2,000 outgrowers
- Open to partnership for expansion and market linkages

For more information, visit
<https://somseedagri.com>





5.5 Gums and resins

Somalia is globally known for the quality of its rare and valuable gums and resin products, which are prevalent in native forests and include such products as frankincense, myrrh, gum arabic and yicib nuts. In the late 1980s, Somalia was the world's largest producer and exporter of frankincense and myrrh, with annual production rates of about 10,000–14,000 tonnes of frankincense and 1,500–2,000 tons of myrrh[24].

Frankincense, including the rare high-quality beyo type, is mainly produced in Puntland and Somaliland. Myrrh is made primarily in Somaliland[25]. In the early 2000s, attracted by the high global prices for raw products and the need to aggregate, clean and prepare the products to reach export markets, private investment increased. This resulted in a small handful of companies setting up in Mogadishu and Hargeisa. Some companies (e.g. Kobac Ltd) have successfully accessed high-value markets in the EU.

In recent years, investment in the sector has grown again with the establishment of small processing plants in both Mogadishu and Hargeisa. These focus on extracting essential oils using steam distillation. The latest data shows that exports of gums, resins and plant extracts to the EU amounted to US\$ 16 mn in 2020, representing 94% of Somalia's exports to the EU. This market access to the EU is attributable to less stringent sanitary and phytosanitary measures being applied to dried agricultural produce. Additionally, most exporters have private certifications of their social and environmental standards.

In recent years, alongside its medicinal and cosmetic uses, frankincense has seen a surge in popularity as an essential oil, which can be sold for as much as US\$ 6,000 per litre in its purest form. Frankincense essential oil is expected to generate US\$ 406 Million by 2028. With increasingly robust environmental stewardship of the country's forests and trees, this subsector demonstrates strong potential for augmented value addition and export revenues.

Gums and Resins Sector Attributes

Increasing demand for essential oils in the cosmetic industry	Gums and resins are increasingly used in the food sector
Global prices are increasing each year for Somali varieties	Centuries old experience in production of high quality gums and resins

Investment Opportunities in the Gums and Resins Sector

- 01 Production and marketing of raw gums and resins
- 02 Value addition; oil and other products for export to high end markets
- 03 Investments in the provision of advisory services to existing export companies covering quality-related, social and environmental standards

[24] <https://documents1.worldbank.org/curated/en/781281522164647812/pdf/124651-REVISED-Somalia-CEM-Agriculture-Report-Main-Report-Revised-July-2018.pdf>

[25] Rebuilding Resilient and Sustainable Agriculture in Somalia (World & FAO)



5.6 Agro-processing

Internal migration, along with the return of thousands of members of the Somali diaspora who have lived in the West – where they have developed new tastes and grown used to easily accessing a wide array of products – has changed consumer habits. This has generated greater demand for higher-quality, shelf-stable and ready-made products throughout the country. Presently, the overwhelming majority of this demand is met by imports, many of which are inexpensive and of low quality, even though the interests of consumers would benefit instead from the existence of a variety of products made from high-quality, locally-sourced raw materials.

Despite the availability of such raw materials, local agro-processing is almost absent due to the lack of investment in local food manufacturing/processing facilities. Today the country annually imports processed food and food-related products valued at over US\$ 1.5 billion, which demonstrates a massive opportunity for import substitution.

A severe challenge for producers is post-harvest storage and spoilage losses if their product is not sold fresh. Every year, fruits like mangoes, guavas, oranges, bananas, lemons and tomatoes, which are locally produced in abundance, go to waste because of the lack of value addition. An estimated 20-30% of the total harvest is lost due to storage losses, which translates to 50,000 to 80,000 metric tonnes per year[26]. This illustrates the significant upside potential for investment in processing, storage and cold-chain solutions.

So far, Somalia's agro-processing industries are still nascent. According to the agri-business department of the Federal Ministry of Agriculture and Irrigation, agro-industrial activities that add value to raw agricultural products are increasingly regarded as missing but critical game-changing elements in the agricultural value-chain that connects primary production with its final markets and generates positive economic externalities in non-farm sectors.

Investments in agro-processing will increase the availability and consumption of locally-produced agricultural produce, reduce post-harvest losses, increase the efficiency of the value chain, and generate employment opportunities.

[26] Catalogue of business opportunities in Somalia-EDU (UNIDO) Somalia

CHAPTER 5: SECTOR OPPORTUNITIES



The following areas have been identified as representing the most significant investment opportunities in the agro-processing sector:

Investment Opportunities

i. Fruit processing opportunities

Somalia's hot and humid climate is optimal for tropical fruit crop production at scale, allowing superior fruit maturation, flavours and fibre content. Most fruits are still consumed fresh, and the demand for processed quality juice is growing, though at present less than 0.5% of fruits produced in the country are being processed.

Post-harvest losses are reported to be greater than 50% because of harvest gluts that lead to temporary market saturation or logistical challenges. These include the cost of transport and the poor availability of proper refrigerated transport for regional distribution beyond the fruit-growing areas of Somaliland and Puntland.

- **Finished products opportunity** for fresh packaged juices for the domestic and near regional markets. The country's soft drinks and fresh juice consumption is growing as demographic changes alter consumer habits. The juices and jams sections of urban retail stores are bulging with imported products.
- **Mango puree**, also known as mango pulp, is a smooth and viscous product which has been processed in such a way that the insoluble fibrous parts of ripe mangoes are broken up. The global mango puree market is valued at US\$ 3.80 billion[27] by 2028, and is expected to grow at a compound annual rate of 8% in the 2021-2028 forecast period.
- Sun-drying of **mangoes and bananas** to prepare crisps/chips. Dried fruit crisps are a tasty, healthy snack that can be sold even out of season at a reasonable price. Annual demand is expected to grow.
- Intermediate products opportunity for building an **integrated fruit pulp and concentrate** industry by subcontracting farmers to grow the fruits (thereby creating additional orchards of dedicated fruit trees) and then processing and selling the concentrate to regional soft drinks and Middle Eastern fruit juice companies.
- The presence of Coca-Cola and Pepsi in the EA region and the massive demand that exists in the Middle Eastern markets provide **export opportunities**.

ii. Vegetable processing opportunities

- Tomato processing: Tomato production is estimated at 35,000 metric tonnes annually, only half of which is available for processing presently. This is attributable to the consumption of raw tomatoes within Somalia, and to post-harvest loss. The demand for tomato paste and other processed tomato products has grown significantly.

iii. Packaging opportunities

- With the increasing amounts of fresh produce going to market and agro-processors, there is a growing demand for packaging materials to preserve fresh produce from being damaged in transport, as well as for packaging for post-processing storage. Investors who set up a packaging factory can anticipate good returns. Their output would include different types of packaging materials, including boxes, plastic containers etc.

iv. Edible Oil Refining

- **Sesame processing: cleaning, sorting, de-hulling and oil extraction:** Sesame is an important domestic and export crop which is seeing significant growth. Agro-processing opportunities include oil extraction and de-hulling.
- **Sunflower oil processing:** Potential investors can establish sunflower oil processing plants in major urban centres. With the expanding production of sunflower seeds by farmers, the availability of raw materials will not be a challenge in the future. Processors can also source regional imports of sunflower seeds and process them locally.

v. Grain Milling

Somalia's demand for milled grains is increasing. Most millers are small- to medium-scale.

Across the country, the availability of raw materials, including maize and pulses, represents an investment opportunity. Wheat milling is an excellent example, as almost 100% of Somalia's wheat is imported.



Case Study 6: Packaging manufacture

Sompack was first established in Mogadishu in 2002 to manufacture cartons to support the revival of banana exports. In 2022, with an investment of US\$ 1.5 million by new diaspora investors, the company set up a large and technically advanced corrugated packaging plant in Mogadishu, because the previous operation had relied on low-capacity used machinery.

Equipped with modern packaging technology, the plant was relaunched to offer customized packaging products, including corrugated and solid cardboard boxes, folding corrugated boxes, a variety of cartons, and rigid-sided corrugated boxes of all sizes (3 to 7 ply). The operation offers in-house design, sample making, printing plates, cutting dies, and facilities for maintenance and transport.

The plant can produce an average of 9,000 cartons per hour, and its primary target market includes agribusiness (banana, fruits), fisheries, and water distillers. In addition, Sompack aims to sell to the other small and mid-sized industries and businesses that are rapidly developing in Mogadishu, Puntland and Somaliland.

According to industry estimates, Somalia's demand for cartons is estimated at US\$ 5 million per year, with the majority of packaging products currently being imported from China and the UAE.

The setting-up of the packaging plant is expected to support the development of the agribusiness sector by improving the transportation of fruits across the country and providing high-quality packaging for exports.

Key Metrics

The annual value of the demand for packaging materials is estimated at US\$ 5 million

Main markets: South Somalia, Puntland, Somaliland, Somali region (Ethiopia)

For more information, visit
<https://sompack.com/>

5.7 Climate-Smart Agriculture

Somalia ranks among the most vulnerable countries in the world with regard to climate change, weather variability and climate hazards, because it frequently experiences severe droughts and floods. The majority of the agricultural sector in Somalia (75%) consists of rainfed agriculture. Only 25% of crop production involves irrigation systems[28]. The economy's dependency on rainfed agriculture and pastures for livestock grazing leaves it extremely vulnerable to the vagaries of the weather. The frequent droughts and floods interrupt the growing seasons, leading to lost production, severe food shortages and the loss of animals.

The introduction and use of controlled irrigation to supplement rainfall during dry spells and the long dry season can offer farmers predictability in their crop production cycles, increase yields, and protect against weather-related losses. In recent years, the use of solar-powered irrigation systems has been increasing due to the falling price of solar photovoltaic panels and solar-powered pump systems. The increased use of climate-smart irrigation technology provides a tremendous boost in many countries with poor access to the national grid, like Somalia. In addition to solar water pumps, CSA has begun to gain popularity in Somalia and includes drip irrigation, greenhouse and shade-house growing systems, hydroponic growing systems, and rainwater catchment and storage systems.

CSA Sector Attributes

Increased failure rate of seasonal rains, and longer dry periods due to climate change. Opportunity to invest in drip irrigation to manage these risks.	Increased uptake of climate-smart technologies such as greenhouses, and drip irrigation in semi-arid parts of the north and in major urban centres	Growth in urban agriculture to meet the increased demand for high-value vegetables in main cities, including Mogadishu, Hargeysa, Kismayu, Garowe, and Baidoa.	Increase in the number of local entrants in solar technology, providing opportunities for distributorships/ agencies
Opportunities to engage local dealers, suppliers and engineers to sell, distribute and maintain solar pumps and irrigation systems	Lending products tailored to smallholder and larger-scale agri-producers to invest in climate-resilient farming practices	Provision of index-based crop insurance. Similar products have been developed in the HoA region (Kenya, Ethiopia)	Increased investment in commercial and traditional fodder to cope with longer dry seasons

CHAPTER 5: SECTOR OPPORTUNITIES

i. CSA Technologies

To mitigate the effects of climate change, such as reduced rainfall and extended dry periods, Somali farmers have increasingly embraced a variety of cost-effective CSA technologies, such as drip irrigation systems, greenhouses, and solar-powered pumps.

Private-sector investment in these technologies has grown exponentially in the last six years. NGOs and the government are also promoting sustainable approaches and have created an awareness of CSA technology and adoption. Micro-irrigation technology firms have begun to emerge – mainly on the outskirts of urban centres – installing greenhouses, drip irrigation systems and solar-powered systems.

The extent of CSA adoption is still low, with an average of 1-3 greenhouses and one 5-acre drip system per farmer. The early entrants have reported good returns and opportunities for growth. Across the country, approximately 400-500 ha are under greenhouse cultivation for growing tomatoes, cucumbers, eggplants and other high-value vegetables.

Drip irrigation uptake has been very strong due to its low-cost, high water-saving effect, especially in the semi-arid northern regions, where an estimated 2,000 hectares have been installed with drip systems for the production of onions, chillies, cabbages, etc.

Presently, there are no local manufacturers of such drip irrigation equipment. So 100% of these inputs are imported, illustrating an opportunity for investors to produce, import and sell drip systems.

In Somaliland alone, the agriculture ministry estimates a 15% annual increase in the production of vegetables through the use of greenhouses and drip irrigation.

A growing urban population in the major cities is encouraging new hotel and restaurant businesses, and the knock-on effect is expanding the demand for fresh vegetables, for which annual demand is projected to increase by more than 20%.

High-value imported vegetables still arrive in Somalia and dominate the market, illustrating significant potential growth for locally produced vegetables.

Investment Opportunities in CSA Technologies

- | | | |
|-----------|--|--|
| 01 | Supply & installation of irrigation system equipment, including greenhouses, drips, solar pumps, etc. | |
| 02 | Engaging local dealers, suppliers and engineers to sell, distribute and maintain solar pumps and irrigation systems | |
| 03 | Investment in the production of high-value vegetables using CSA technologies to supply the major cities of Mogadishu, Garowe and Hargeisa. | |
| 04 | Financial products tailored to investment in CSA by smallholders and larger-scale agri-producers | |
| 05 | Crop insurance | |

CHAPTER 5: SECTOR OPPORTUNITIES

ii. Fodder

Rainfall variability and higher average temperatures also affect livestock production by reducing forage crop availability. In addition, recent changes in land use practices, including the widespread enclosure of the historically communal rangelands, overgrazing and unsustainable commercial charcoal production, have severely reduced the availability of pastures^[1].

Livestock farmers are increasingly turning to traditional fodder crops and crop residues as a strategy for mitigating these risks.

Some fodder production and marketing cooperatives have been established and are achieving modest success, but few private companies have ventured into commercial fodder production at scale.

Fodder is quickly becoming an indispensable and lucrative crop, and offers good returns for early entrants. There is excess demand at seaports and along the main livestock export trade corridors (Berbera, Basasso, Kismayu, and Mogadishu) due to the aggregation of livestock herds for fattening and/or collecting and holding for export. Livestock operations require higher per-animal weight and nutrition to maximise their sale prices, so the availability of high-quality fodder is vital.

Additionally, there is increased investment in dairy farms in the peri-urban areas surrounding the cities of Mogadishu, Garowe, Hargeisa, Baidoa and Kismayo to cater to the increased demand for milk. The quality and quantity of milk are directly dependent on year-round access to water and the quality and composition of fodder.

There is excess demand for fodder at seaports and along the main livestock export trade corridors

Increased investment in large dairy farms in major urban cities is forcing the demand for nutritious fodder and feeds

Milk yield is directly related to water availability and the nutritional value of fodder, so there is a strong demand for high-quality fodder

Production and supply of high-yielding pasture grass varieties – alfalfa, drought-tolerant brachiaria grass, etc.

Opportunities for investment in irrigation infrastructure

Significant regional export opportunity, e.g. to Ethiopia & Djibouti

The most expensive alfalfa pellets and sesame cake, which are incredibly high in protein and nutrients, are the products preferred by commercial dairy farms, and can increase milk and meat production by up to 30%. However, pelletized imports from the Gulf, Sudan, Egypt and Italy are costly at US\$ 450-600 per mt. There is sesame processing in the country, and the cake, which is a processing by-product, is in high demand from local livestock businesses.

Sorghum, maize and sesame are increasingly harvested green as fodder; legumes, pulses, and root crops are also often used for feed.

These can be purchased from the domestic market, costing around US\$ 60-80 per mt, but they lack the nutritional value of premium products.



Case Study 7: Dairy farm

Beder Dairy and Meat Company (BDM), with 1,400 camels supplying an average of 1600 litres of milk per day, is one of the largest dairy companies in Somalia. Established in 2011, the dairy company has generated income by selling milk in Mogadishu, Guriel, Afgoye, and the Hargeisa region of Somaliland.

A key element in the success of Beder Dairy Farm is that the company was among the first investors in the commercial production of fodder and the establishment of dry-season fodder reserves for lactating animals. This permits milk production independently of the seasons, when urban milk demand and milk prices are at their highest.

With a US\$ 500,000 investment, the company installed a central pivot irrigation system on 20 ha of its farm in Afgoye to produce alfalfa to be cut and stored as hay for fodder that would be available throughout the year.

By doing so, BDM reduced its operational costs by 80% by decreasing its importation of fodder during dry periods.

BDM has also invested in modern agricultural equipment such as a John Deere 328 twin baler, a John Deere 3710 Draw Plow, and an R310 Disc Mower (8 discs) for the cultivation, harvesting and processing of alfalfa into hay, followed by safe storage of a continuous supply. In this way, the company has achieved the total mechanization of its fodder production.

The company now produces at least 480 mt of alfalfa fodder a year, ensuring a reliable supply of nutritionally excellent, high-quality fodder.

The excess alfalfa hay is sold to other farmers in order to generate additional income streams.

Beder's milk production has also increased by 25%, while its fodder importation costs during dry periods have decreased by 75%.

5.8 Advisory, Standards, Certifications and Best Practices

While setting up quality infrastructure systems across the country, the Federal government of Somalia has recently developed a regulatory framework for multiple sectors, including the agriculture and food sector. These include the development of regulations and related policies to enable participation in global trade and address the increasing consumer demand for quality and safe products.

With the ongoing accession program to the World Trade Organization and other regional trade bodies, the government's new regulations and standards are moving towards the adoption of international standards to ensure consistency with global trade rules. Somalia is now a signatory of several conventions, including the International Plant Protection Conventions (IPPC), which is implementing the WTO phytosanitary component; and the International Organisation for Standardisation (ISO). Somalia's institutional rebuilding process has recently identified the need to review the country's regulatory policies and laws and align them with the latest developments. Multiple competent authorities under several ministries have therefore been established in the last couple of years.

The Somali Bureau of Standards, the national standard body overseeing the implementation of high-quality infrastructure, has initiated the development of an infrastructure policy which is currently at the draft stage. This entails developing a roadmap that will guide the regulatory institutions and identify the roles of the relevant public and private enterprises. It also covers public-private dialogues in consumer awareness and protection. SARIS, under the Federal Ministry of Agriculture and Irrigation, is the competent authority regulating the agricultural sector.

High-quality agricultural production relies on the ability to analyze soils, perform plant inspection and protection, certify that products are safe, and confirm that their production has followed international best practices and meets standards. The monitoring of inputs, laboratory testing and quality certification is vital. The FGS has planned to re-establish its national agriculture and food quality control laboratories; however, this has been taking time, presenting opportunities for private sector investments.

Advisory, Standards, Certifications and Best Practices Sector Attributes

The increase in exports requires compliance and conformance to market and regulatory standards

Agricultural inorganic testing, e.g. for soil, water, fertilizer and pesticides, has expanded recently

All agricultural samples (estimated at over 1,000 annually) are sent to regional laboratories

There are no private certification bodies in Somalia

Investment Opportunities in the Advisory, Standards, Certifications and Best Practices Sector

- 01 Establishment of a private accredited laboratory in the country for testing soil, water, fertilizers, and chemical residues
- 02 Private certification bodies to provide consultancy services in global GAP, ISO certifications, and food safety certification centres across the country
- 03 Business development services: capacity building, auditing, and compliance
- 04 Export/import certification: Investment in public-private partnerships for export and import quality control
- 05 Investment in digital tools, including agricultural quality control software, farmer advisory services etc.

6. Resources for Starting a Business in Somalia

How do I register an agribusiness in Somalia?

Somalia's investment permit application process is straightforward, requiring just a few steps:

1. Visit the SomInvest website and fill out the FDI Application Form.
2. Business registration: The foreign investor must register their business with the Registrar of companies at the Ministry of Commerce and Industry: Visit <https://ebusiness.gov.so/>
 - To improve the ease of doing business,
 - the government has radically reformed
 - the business registration process. The Somali Business Registration and Licensing System (SBRL) has recently been developed by the Ministry of Commerce and Industry, which has overall responsibility for business registration. The SBRS has reduced the business registration period from months to just about three days.Visit <https://ebusiness.gov.so/>
3. Notarize the Memorandum of Association. In Somalia, foreign investors can incorporate a company having a sole director, and register a wholly-owned local company, without having to have a local shareholder.
4. Obtain a business licence from the relevant Ministry. For more information, visit sominvest@mop.gov.so
5. TIN Certificate (get a Tax Identification Number). For more information, visit sominvest@mop.gov.so



Somalia Trade Information Portal

The Somali Trade Information Portal (STIP) (www.stip.gov.so) is a comprehensive and authoritative source of regulatory information regarding all cross-border transactions. It is a single easily-searchable platform.

To bring national harmony, stabilization and growth to the economy, the Federal Government of Somalia (FGS) is committed to implementing trade facilitation measures with a view to future accession to the World Trade Organization (WTO).

The International Finance Corporation (IFC), a World Bank Group (WBG) division, is supporting the FGS in these efforts. To increase the transparency of trade-related information and improve traders' access to it both within the Somali business community and regional and international trade actors, the FGS, through the Ministry of Commerce and Industry (MOCI), has implemented the STIP, sponsored by the Somalia Investment Climate Reform Project Phase 2 (SICRP2) managed by the IFC, with contributions from its development partners (Denmark, the European Union and the UK Foreign Commonwealth Development Office).

Since the portal's launch on 25 August 2021, it has received approximately 1,000 visits per month. The STIP consequently now offers faster, fairer, more predictable and transparent processing of assessments and clearance of imports and exports, all at a reduced cost to the trading community.

A photograph of a dirt road winding through a dense, green landscape, likely a valley or hillside. The road is brown and appears to be made of packed earth. It curves from the bottom right towards the center of the frame. The surrounding vegetation is a mix of low-lying plants and taller grasses. In the background, there are more hills and a clear blue sky with scattered white clouds.

Somalia:
Diverse.
Competitive.

7. Key Government Contacts

Government Agencies	Roles	Contacts
Ministry of Agriculture and Irrigation	The Ministry of Agriculture and Irrigation of Somalia is a ministry responsible for agriculture in Somalia. The three broad remits of the Ministry are agriculture, food processing and cooperation.	Mogadishu, Somalia Website: www.moa.gov.so Email: minister@moa.gov.so Tel: +25261 2266277
Ministry of Commerce and Industry	The Ministry of Commerce and Industry administers two departments, the Department of Commerce and the Department for Promotion of Industry & Internal Trade (formerly the Department of Industrial Policy and Promotion).	P.O. Box 30, Mogadishu, Somalia Website: www.moci.gov.so Email: ministry@moci.gov.so/ info@moci.gov.so
Somalia Investment Promotion Agency (SOMINVEST)	This body is the national investment promotion agency under the Federal Ministry of Planning Investment and Economic Development	Afgoye Road, KM5, Mogadishu-Somalia Website: http://sominvest.mop.gov.so Email: sominvest@mop.gov.so Tel : +25261911153
Somali Chamber of Commerce	The Somali Chamber of Commerce and Industry is a trade organization headquartered in Mogadishu, Somalia. It serves as an umbrella group for the local business community. Membership is also open to international investors. SCCI is a vibrant organization focused on enhancing business opportunities and ensuring that its members take advantage of business opportunities locally, regionally and internationally.	Somali Chamber Building, near Banadir Hotel, Shibus District, Mogadishu, Somalia Telephone:-640560 Fax:-219039 Email: info@somalichamber.so Website: www.somalicci.com Offices in each regional states
Somalia Agricultural Regulatory Inspection Services	The National Plant Protection Organization's mandate is to protect Somalia's agriculture. It is the sole agricultural regulatory agency covering seeds, agro-chemical and phytosanitary systems. It facilitates agricultural trade by issuing import and export documentation, including agricultural import permits and phytosanitary certificates.	Mogadishu, Somalia Website: www.moa.gov.so Email: plant.protection@moa.gov.so Tel: +252 619122675
Somali Bureau of Standards (SoBS)	SoBS's mandate covers standardization, metrology, all conformity assessment activities, inspection testing, and certification. It has been given the authority to control product quality and ensure the safety of consumers.	Via Kamalu din, Boondheere District P.O. Box 67, BN03010 Email: info@sobs.gov.so Tel: +252 61 0742473
The Central Bank of Somalia	The Central Bank of Somalia is responsible for formulating monetary policy to achieve and maintain price stability. The Central Bank also promotes financial stability; supervises an effective and efficient payment, clearing and settlement system; formulates and implements foreign exchange policies; holds and manages foreign exchange reserves; issues currency; and is the banker for, adviser to and fiscal agent of the Government.	http://www.centralbank.gov.so

8. How Can SomInvest Help?

SomInvest is Somalia's national investment promotion agency under the Federal Ministry of Planning Investment and Economic Development. It is a statutory body established under Article 6 (sections 1-8) of the Foreign Investment Law of 2015, in order to:

- Promote foreign investment
- Rebrand Somalia
- Facilitate investment entry and retention; and
- Continuously advocate for improved investment policies.

The Foreign Investment Law (FIL) 2015 mandates the Somalia Investment Promotion Office (SOMINVEST) to help investors to access the information and application forms that must be submitted and approved by the Foreign Investment Board (FIB). Application forms, and information about the registration process, the visa regime, the tax regime and the labour law can be accessed via this link: sominvest@mop.gov.so

SomInvest focuses on sector-specific investor targeting and the development of new partnerships to enable sustainable investments in Somalia. The main objectives include:

- Promotion of Foreign Direct Investment flows to Somalia.
- Development and maintenance of scientific investment-related data that can aid investors to make intelligent choices when investing in Somalia.
- Establishment of investor outreach platforms and missions to facilitate investor entry.
- Execution of a robust communication strategy to position Somalia as a favourable investment destination.
- Provision of aftercare support and dispute avoidance/resolution mechanisms to improve the investor experience.
- Offer policy advocacy and support across the investment cycle.

Our Vision

To Promote and Sustain Direct Foreign Investment flow to Somalia.

Our Mission

SOMINVEST will endeavour, through the use of cutting-edge technology and strategies, to promote Investment inflow to Somalia; rebrand Somalia; facilitate and support investor entry and retention; and continuously advocate for an investor-friendly ecosystem.

SOMINVEST
WHERE INVESTMENT MEETS OPPORTUNITY | www.sominvest.mop.gov.so

Department Sections

SOMINVEST has the following four essential sections to facilitate the delivery of its mandate through its five (5) year strategic plan (2021-2025):

1. Investment Promotion Section

The investment promotion section is mainly responsible for attracting, promoting and reaching foreign investors by providing the necessary information about Somalia, sectors of interest, and key legislative and institutional arrangements to allow investors to make informed decisions.

2. Investment Facilitation and Support Section

The Investment Facilitation and Support Section is responsible for investment facilitation and coordination with Government authorities, to ensure that inventors are satisfied and are accorded timely government services to enhance their general experience of investing in Somalia.

3. Research and Policy Advocacy Section

The research and Policy Advocacy Section is mainly responsible for providing sectoral and market analysis and designing and preparing bankable projects for FDI. It has the overall lead for reforms in the investment climate.

4. Communications and Brand Somalia Section

The Communications and Brand Somalia Sections are mainly responsible for investor outreach, the brand Somalia initiative, and the organization of successful investment conferences, roadshows and other events that are necessary for the overall attraction, promotion and facilitation of FDI.

Contact Us!

Afgoye Road, KM5, Mogadishu, Somalia

Website: <http://sominvest.mop.gov.so>

Email: sominvest@mop.gov.so

Tel: +252 61911153



NOTES

PRIORITY SECTOR INVESTMENT STUDY - AGRIBUSINESS AND FOOD SECTOR IN SOMALIA



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