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Acazis Ethiopia PLC



Capital Ethiopia Interview - Resurrection Time

Patrick Bigger, 46, is from Switzerland. He is Chief Executive Officer (CEO) of Acazis AG, a German company and the mother company of Acazis Ethiopia Plc, the former Flora Ecopower Ethiopia Plc. Francois Achour, French, is the General Manager of Acazis Ethiopia Plc, residing in Ethiopia.

Capital's **Solomon Bekele** talked with both Mr. Patrick Bigger and Francois Achour on Thursday about their plan to launch a new project; Acazis Oromia Oil Mill in Fechatu, close to Harar. They plan to cultivate Castor in order to produce Biofuel for the Ethiopian Biofuel Program. Excerpts:

Capital: What are the reasons for your visit to Ethiopia?

Patrick Bigger: I'm spending three intense weeks working here. I'm restarting the activity of our daughter company Flora Ecopower Ethiopia Plc, which is now known as Acazis Ethiopia Plc. It focuses on the cultivation of Castor in order to produce Biofuel, according to the Ethiopian Biofuel Program. Castor is the raw material for biofuel. I'm also planning to check the local background for starting a new activity at our Acazis Oromia Oil Mill in Fechatu, a place next to Harar. It is a brand new factory, the biggest one in the Horn of Africa, and has the ability to press up to 250 tons of oil seeds per day. It was first constructed to press Castor seeds, but considering today's huge market for local edible oil we are now focusing on producing that.

I also had a chance to attend the 2010 Acazis General Meeting (AGM) of the Shareholders that was held on February 12, 2011. This was very crucial for the future of the company.

Capital: What exactly pushed you to start producing edible oil?

Patrick Bigger: The market is the main guide. Ethiopia has a population of 80 million. If we assume 15 to 20 million people are potential buyers, what we intend to produce per day is much less than the demand. There is also a plus side: the government has set a new price ceiling on key products, including edible oil. The factory is located in the middle of a huge ground-nut production area, between Fedis and Babile, and we are planning to start pressing these ground-nuts as soon as possible to provide edible oil to the market, to avoid any shortage coming from importations of palm oil. We hope to produce 12 to 15,000 litres per day to the local market..

Capital: What was decided in your general meeting?

Patrick Bigger: We want to raise our local capital from 30,000 shares and 30 million Birr to 140 million Birr. The other important point is the decision to provide 5% of the newly created 1.4 million shares to the workers, as compensation for the difficulty they faced last year, another 5% will be allocated to the management team. Both the workers and the management team worked hard to resurrect this company and keep it thriving. We also changed our former name Flora Ecopower Ethiopia Plc to Acazis Ethiopia Plc to use the same name as our Company in Germany.

Capital: What forced you to stop production originally?

Francois Achour: It is true that our company was established in 2007 by some Israeli farmers. But it was financed by European investors, including myself and some relatives.

Poor management, corruption and mishandling of the process led the company to spend 17 million euros that were raised from all European investors, mainly from Germany and Switzerland. The Israeli managers built for instance a 3 million euro factory, an oil mill, before having sufficient castor seeds to press. They lost time and energy to farm the huge "Community Farm", with more than 120,000 farmers. That was quite an impossible mission. Later on it was discovered that they were not managers, and not even farmers. Due to their mismanagement the victims were the workers, the shareholders and the Government of Ethiopia. They fled the country in a hurry, in April 2009 abandoning the farm and the mill factory. I took the helm of the German company and began to install a new management system in Ethiopia to manage the farming and the oil factory, during this emergency situation. Today, we are on our way to overcome these difficult times and to provide a good future for our workers and Ethiopia.

Capital: Do you think that a Community Farming system is still possible?

Francois Achour: Definitely yes. It just has to be done very seriously and with care. But we can not start immediately with the Community Farming system. For now we should not employ too many farmers. By doing so, we cannot be efficient. If we have from 200 to 400 farmers, I think we can be very efficient. We have decided to do this first to recover from our losses, and second to be efficient and profitable. After we fully control the situation we will slowly again incorporate some community farming.

Capital: You said that you will start producing edible oil shortly. When do you exactly plan to start production?

Francois Achour: We are working, today, on the maintenance of our factory. Until all the machines are ready to press a minimum of 48 tons per day it will take us two to three months to be fully operational. We will use the groundnuts for raw materials which are abundantly available in the area. We also use cotton seeds for the oil. In the meantime we ordered enough Castor seeds to start sowing 2,000 to 3,000 hectares in the Fedis and Midega area. The cultivation will start at the end of March. Everything will be ready around April 25, for the rainy season. Then, step by step, we plan to increase 3,000 hectares of farm land every six months. When we reach a significant area of cultivation that is enough to start the government Biofuel Program, we will be engaged in that area also through our Castor cultivation. To fully contribute the amount for the Biofuel program it may take up to four years. We are still the biggest company involved in this Ethiopian Biofuel Program, but we are not alone. Some other companies are already working in the same field of Biofuels, with Jatropha or other crops.

Capital: So are you confident you will be successful?

Patrick Bigger: We have now an efficient new management. Things are being done in a very professional way. We have also new investors, and even some of the former investors expressed their trust in the country, because of its leadership, security and economic stability. We are planning to invest again more than two million euros. Our factory will help us get turnover which we will fully invest in Ethiopia and in the cultivation of Castor for the Biofuel program. We expect more than 120 million Birr a year from selling the edible oil from the Acasis Oromia Oil Mill production.

Capital: Since the company was established in 2007, you did not get returns from your investment/profit. So what do you think about investing in Ethiopia?

Patrick Bigger: Well, investing in Ethiopia is quite attractive. Our problem was the lack of management. The former Israeli managers were at the centre of these issues. After we resolved the crises created by them, we have seen real hope of getting a return from our investment in Ethiopia. We do think that Ethiopia has a bright future, as the government is doing its level best to help and assist foreign investors. We have the assistance of the Biofuel Commission, the Ministry of Water and Energy and the Ministry of Agriculture as well. They are doing a great job in assisting us. They understood our issues, that it was not a problem linked to the Biofuel Program, but only to mismanagement. We think we will be successful this time with the new management, the help of the workers and the Ethiopian government.

Capital: Nowadays, there is a call for factories to be environmentally friendly. A couple of years ago your company was confronted with the issue of wild elephants at Babile, in Oromia region. Did you overcome that issue?

Patrick Bigger: Our newly appointed manager, Francois Achour, has handled this issue carefully for the last two years. You know, he is the President of a French Sustainable Development Company; so he is highly involved in the protection of the environment and wildlife. We are confident that the elephants or the lions, commonly called "black mane lions" will be well protected. When the NGOs saw the former Israeli managers start clearing some of the lands, they were afraid that it would affect the elephants. But, currently it is regularly checked by our local workers and managers that field clearing takes place really very far from the elephant's secular and accustomed pathways. We have now a special department in our company, in charge of controlling the environmental issues. For instance, they are studying the use of new pesticides to avoid any consequences on the bees around the lands.

Capital: What about the issue of your workers, staying 14 months without salary?

Patrick Bigger: It was very stressful for the expatriate management, as it was for the local managers. But no investor was willing to come back again after the former Israeli managers made such blunders. However, when they saw the new situation and the involvement of our 400 workers, and the collaboration of the Labor Union with the local management, they started to come back with deep trust in the newly changed situation. Not only are the former investors coming back but I now have orders from US investors. In March we will meet in the states to talk business. This comes from having confidence in our team.

Capital: You lost a lot of assets when things went wrong... ?

Patrick Bigger: Yes, we lost a great deal. A lot of assets and equipment were taken away by creditors, but we still had enough to restart the mill without buying too much new equipment. The brand new factory of Fechatu-Fedis is even 90 percent ready to start. We want to be sure of worker's security. This is why we are taking time to restart it, carefully and professionally. Indian engineers are expected to come soon to help with the last maintenance and the start-up, and then we will start to provide edible oil to the Ethiopian market.

Capital: Do you think you will appear on the market on the day you set?

Patrick Bigger: Oh, yes. We expect our edible oil to be on the market roughly in three months. I will travel to Geneva, Zurich and Frankfurt to explain to the European and US investors in fullest transparency the excellent situation of the country and our company. We also found a great bank in Ethiopia, Zemen Bank; it was an important item that we needed in this country, to be efficient again.

Francois Achour: Finally, there is a huge market for edible oil in Ethiopia and we will provide it. We intend to produce on time. Furthermore, we will continue the Ethiopian Biofuel program with Castor. The major production pipeline for the Biofuel program will also go side by side with the edible oil. I am convinced that in the planned time frame, our production will be available on the market.

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