Commercialisation in Ethiopia: Which pathways?

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1. Objectives of the study
2. What is commercialisation?
3. Context: Historical background and current policies
4. Empirical work so far
5. Next steps
1. Objectives of the study

- To explore meanings and pathways of commercialisation in Ethiopia
- To investigate opportunities and constraints for smallholder farmers to engage on better terms with markets
- To stimulate policy debate about the ways forward for agriculture:
  - Does a focus on commercialisation necessarily abandon the smallholder farmer?
2a. What is commercialisation?

- Misperceptions & fears:
  - Focus on non-food crops
  - Food insecurity: cash vs food crops, price effects, market exposure
  - Export-oriented
  - Large scale, expropriation of land, displacement of smallholders
  - Capitalist (foreign? extractive?)
  - Mechanised, ‘modern’, un-sustainable, relying on imported technologies
2b. Who are commercial farmers?

- **Categories in Ethiopia:**
  
  - Large-scale capital-intensive enterprises / investors (private and state)
  - Small investor-farmers – re-emerging category in Ethiopia?
  - Family farms
    - Traditionally market-oriented producers (commodity, location)
    - Farmers in marginal or low potential areas, “subsistence-oriented”, but interacting with markets as buyers and sellers. On what terms?
## 3a. Context: Historical background

<table>
<thead>
<tr>
<th>Year</th>
<th>Strategic concerns</th>
<th>Policy foci</th>
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| 1950s | Improving **productivity**  
Reduce economic dependency on agriculture                                         | **Infrastructure & human resources**  
Accelerating ag development by promoting commercial enterprises               |
| 1960s | Transform predominantly agricultural to **agro-industrial** economy  
Increase **foreign earnings**                                                  | **Large-scale** commercial farms  
Investments in agro-industries  
Agricultural **mechanisation**  
Increasing export-orientation                                                   |
<p>| 1970s | Concerns about inefficiency of many large, mechanised farms, renewed <strong>focus on smallholder potential</strong> | <strong>Proposals for land reform for increased agricultural productivity</strong> |</p>
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<thead>
<tr>
<th></th>
<th>Strategic concerns</th>
<th>Policy foci</th>
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<tbody>
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<td>1980s (Derg)</td>
<td>Socialist agricultural development</td>
<td>State farms</td>
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<td></td>
<td>Central planning</td>
<td>Suppression of <strong>land, labour &amp; commodity markets</strong></td>
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<td>Collectivisation</td>
<td>Land distribution &amp; fragmentation</td>
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<td>Control of <strong>input &amp; output markets</strong></td>
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<td>1990s (Transitional Period)</td>
<td>ADLI</td>
<td><strong>Liberalisation</strong> of output markets</td>
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<td>Gradual liberalisation of input, labour, land rental markets</td>
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<td><strong>Privatisation</strong> / distribution of state farms</td>
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<td>Land policy debate</td>
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3b. Context: Current Policies

PASDEP:

• Accelerated growth via agricultural development

• “The agricultural strategy will revolve around a major effort to support the intensification of marketable farm products - both for domestic and export markets, and by both small and large farmers.” (p. 47)

• “[…] improvement of pro-poor subsistence farming still needs to take place in parallel with this shift to commercialization of agriculture.” (p. 47)
4. Empirical work so far

- Focus on market-oriented family farms
- Household survey & exploratory qualitative study
- Two commodities (coffee, teff)
- Selected Weredas in Oromia, Amhara, SNNPR
<table>
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<tr>
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<th>Coffee</th>
<th>Teff</th>
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<td>Non-food</td>
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<td>Food (high value)</td>
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<td>Primarily export market</td>
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<td>Primarily domestic market</td>
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<td>High policy attention &amp; intervention (R&amp;D, market support &amp; control, etc.)</td>
<td></td>
<td>Limited policy attention &amp; intervention (R&amp;D, market support &amp; control, etc.)</td>
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<td>Large and small scale production</td>
<td></td>
<td>Small-scale production</td>
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<td>Productivity strategy: Niche markets, speciality &amp; organic, low chemical inputs</td>
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<td>Productivity strategy: purchased fertiliser (and seeds)</td>
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<td>Labour intensive with seasonal labour bottlenecks</td>
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<td>New institutions: Cooperatives &amp; Unions</td>
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• Themes addressed in qualitative study:
  – Opinions & perceptions on commercialisation
  – Household strategies
    • Trajectories / pathways
    • Constraints
    • Enabling factors
  – Changes over time
  – Employment / labour effects
• **Coffee (Goma Wereda) – Highlights**
  
  – Coffee producers would like to expand their coffee plantations – but *not* at the cost of food crops
  
  – The more diversified a farm (coffee, food crops, fruit, vegetables, chat), the more successful is the farmer
  
  – Only relying on coffee income is considered risky and farmers try to avoid it
  
  – Land availability constraints livelihood options
• Coffee (Goma Wereda) – Highlights

  – Farmers react strongly to price incentives – low coffee prices → reduced investments in coffee
  – Scarcity of non-household labour → limiting factor.
  – Coffee income strongly determined by the coffee quality → specific support!
  – Cooperatives → provide market access, information, certification, social infrastructure
Teff (Ada’a Wereda) - Highlights

- Area famous for food-grain production, especially teff. Fungible crops for sale or consumption.
- Farmers grow white / red / mixed teff – generally sell the white, and eat red or mixed.
- More successful farmers grow more diverse crop mix.

Changes in recent years
- Higher production (better extension, more fertiliser)
- More traders, greater volume of trade
- $\Delta$ sales < $\Delta$ production – farmers eat more teff
- Co-operatives – role in purchasing / price support (small player in the local teff market)
Teff (Ada’a Wereda) - Highlights

Employment

- Mostly family labour, but seasonal bottlenecks especially for teff harvest.
- Seasonal migrant workers from other farming areas (e.g. Gojjam, Selale, Wollo) play a crucial role.
- Local workers feel undercut by migrants – but they have other non-farm employment opportunities.
- Variety of contract and payment forms; migrant groups form multi-year relationship with employers, and receive board and lodging.
5. Conclusions & policy implications

– “Does a focus on commercialisation necessarily abandon the smallholder farmer?”
  • No – not in the policy, and not on the ground

– Take into account all different types of farms

– Location!
6. Next steps – Research Agenda

- Integrating quantitative & qualitative findings ➔ further analysis of survey data

Further investigation of:
- Re-emerging small investor-farmers
- Employment effects of smallholder commercialisation, including agricultural labour migration