Impact of Agricultural Input and Output Market Development Interventions in Ethiopia

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ABSTRACT

Farming is at the core of the economy of Ethiopia. Agricultural market development is expected to allow farming to respond to market signals and develop market orientation and technologies for agricultural production. Input and output market development approach as a tool to enhance technological uptake was employed by Improving Productivity and Market success of Ethiopian Farmers (IPMS) project. This study evaluated the impact of market development in the Bure district. The study took a random sample of 100 participant and 100 non-participant households. The influence of different demographic, social, economic, and access to institutional support service variables on participation were examined. The Propensity Score Matching (PSM) results show that participant households are better-off in net farm income. Productivity measures of households indicate that participants are more productive. Input use of the households is different either from stock or in terms of purchased inputs and participants use. Participants are also more market oriented than non-participant households. Therefore, it is advisable to further extend and scale the approach to a wider coverage area and beneficiary farmers to enhance the uptake of improved agricultural technologies and the link of farmers to the market.

Keywords: Ethiopia, Farming, Market Orientation, Propensity Score Matching, Sensitivity Analysis, Technological Change

1. INTRODUCTION

In current policy dialogues, making agriculture more commercialised and/or market oriented is seen as a key element in achieving growth and poverty reduction in Sub-Saharan Africa. Subsistence production for home consumption is chosen by farmers because it is subjectively the best option, given all constraints. In a global sense, however, it is one of the largest enduring misallocations of human and natural resources. In addition, due to population pressure and natural resource constraints, it is becoming less and less viable. The same households could obtain much higher returns from growing and selling alternative crops through market orientation, rather than producing their own food, which they perhaps do quite inefficiently (Leavy & Poulton, 2007).

The development of the Ethiopian economy heavily depends upon the speed with which agricultural growth is achieved. The rate of agricultural growth in Ethiopia in turn depends on the speed of transformation of agriculture...
from the current subsistence system to market oriented production system. Market orientation is achieved when smallholder farmers are considering the market signals in the production and marketing decisions of the household (Berhanu et al., 2006).

Extension services in Ethiopia were focused on increasing production and productivity in view of achieving food security. However, it had become apparent that without integrating farmers into the market, sustained growth in the agriculture would not be realized. Perhaps as a result, the government policy on agricultural development has recently started to emphasize the transformation of subsistence agriculture into market orientation as a basis for long term development (Berhanu et al., 2006).

Of the constraints that the Ethiopian farm households frequently facing in increasing the welfare, their inability to access markets either from the input or from the output side plays a vital role. Inefficient link with the input markets limit the use of inputs which can enhance productivity and limit their participation in the output market. Enhancing the ability of poor smallholder farmers to reach markets, and actively engage in them, is one of the most pressing development challenges. Considering this fact, Improving Productivity and Market Success (IPMS) project has been focusing on delivering market and product related knowledge and linkage development to contribute to improved agricultural productivity and production through market-oriented agricultural development, as a means for achieving improved and sustainable livelihoods for the rural population (IPMS, 2006).

The project has been working in Bure district to enhance the productivity and income, input use and intensification of the farm households through improved market participation and market orientation. The project focuses on knowledge management, commodity development and institutional capacity building to improve productivity and market gains of rural households through incorporation of market signals in production and marketing decisions.

This input and output market development intervention is expected to have impact on the farm household and on the decisions made by the household towards input use and intensification of the farm, market orientation and the return from their farming practice. No work has been done in the study area to assess impact in general and impact of the input and output development interventions by the project in particular. This paper was carried out to study the impact of market development interventions.

This study particularly aimed at examining the impact of input and output market development interventions by Improving Productivity and Market Success (IPMS) project on the decisions in the value chain and outcomes of households.

2. MATERIALS AND METHODS

2.1. Theoretical Framework

Because of the public good nature of some important investments such as in contracts, technology, and process, the government can actually play a leading role in the desired institutional change for agricultural input and output development. In the mixed policy environment, the government co-exists with the private sector and in a broad sense, it protects market participants from unfairly large competitors. In Ethiopia, agricultural markets are characterized as inefficient, unfair competition of few whole sellers and massive smallholder farmers, weakly linked either horizontally or vertically which ends up with weak link of the farmers to the market and the market in general is less paying to the farmers. It needs serious efforts to encourage market development and to ameliorate market failure are likely to require an increased commitment to investment in public goods (infrastructure, market information, agricultural technology development and extension service etc.).

The IPMS project follows an innovation systems approach to enhance application of knowledge or technologies generated by international and national research institutes.
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