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THE POLITICAL ECONOMY OF AGRICULTURAL COMMERCIALISATION IN ETHIOPIA: DISCOURSES, ACTORS AND STRUCTURAL IMPEDIMENTS

Dawit Alemu and Kassahun Berhanu

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ABBREVIATIONS AND ACRONYMS

ACC	Agricultural commercialisation cluster
ADDP	Ada District Development Project
ADLI	Agricultural Development-Led Industrialisation
AGP	Agricultural Growth Programme
AISCO	Agricultural Input Supply Corporation
AMC	Agricultural Marketing Corporation
APARI	Afar Pastoral and Agro-Pastoral Research Institute
ARARI	Amhara Regional Agricultural Research Institute
ATA	Agricultural Transformation Agency
ATVET	Agricultural Technical Vocational Education and Training
CAADP	Comprehensive Africa Agriculture Development Programme
CADU	Chilalo Agricultural Development Unit
CSA	Central Statistical Agency
CSO	Civil society organisation
DFID	Department for International Development
ECX	Ethiopia Commodity Exchange
EEA	Ethiopian Economic Association
EEPRI	Ethiopian Economic Policy Research Institute
EHDA	Ethiopian Horticulture Development Agency
EIAR	Ethiopian Institute of Agricultural Research
EIC	Ethiopian Investment Commission
EPLF	Eritrean People's Liberation Front
EPRDF	Ethiopian People's Revolutionary Democratic Front

ERCA	Ethiopian Revenues and Customs Authority
ESC	Ethiopian Seed Corporation
ESE	Ethiopian Seed Enterprise
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
FDRE	Federal Democratic Republic of Ethiopia
FTC	Farmer training centre
GARI	Gambella Agricultural Research Institute
GDP	Gross domestic product
GTP	Growth and Transformation Plan
IAIP	Integrated agro-industry parks
IFI	International financial institution
JATS	Jimma Agricultural Technical School
MoFED	Ministry of Finance and Economic Development
NAEIP	National Agricultural Extension Intervention Programme
NARC	National Agricultural Research Council
OARI	Oromia Agricultural Research Institute
OAU	Organization of African Unity
PADETES	Participatory Demonstration and Training Extension System
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PMAC	Provisional Military Administrative Council
PSNP	Productive Safety Net Programme
RARI	Regional Agricultural Research Institute
SARI	Southern Agricultural Research Institute
SDPRP	Sustainable Development and Poverty Reduction Programme
SoPARI	Somali Pastoral and Agro-Pastoral Research Institute
TARI	Tigray Agricultural Research Institute
TGE	Transitional Government of Ethiopia

UN	United Nations
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organization
WADU	Wolaita Agricultural Development Unit
WFP	World Food Programme

1. INTRODUCTION

This country review aims to identify the key dynamics, actors and associated discourses of agricultural commercialisation in Ethiopia. To this end, we aim to shed light on the forces and factors that influence policy processes and the contexts in which the political and bureaucratic establishments operate. Moreover, we examine the incentives generated by the mode of operation of existing working systems by inducing involved actors to expedite the venture of agricultural commercialisation.

The review is organised as follows. This introduction sets out the purpose and objectives of the study and the methods used. Section 2 discusses the political importance of agriculture, while section 3 reviews public support to agricultural development during the imperial, military and current Ethiopian People's Revolutionary Democratic Front (EPRDF) regimes. Section 4 reviews discourses and actors related to agricultural commercialisation, focusing on the post-1991 period. Section 5 explores the status of smallholder agricultural commercialisation, taking malt barley and teff as case studies. Finally, we present a synthesis of structural impediments to agricultural commercialisation, before detailing our conclusions and suggestions for a way forward.

1.1 Purpose and objectives

In undertaking this country review, it was envisioned that the study findings could lay the basis for embarking on subsequent empirical studies on agricultural commercialisation. In line with this, the study unravels the political economy underpinnings of commercialisation by shedding light on the Ethiopian context and the changing political landscape and electoral trends spanning the past three decades. The quest of the ruling party for obtaining support and/or legitimacy from rural communities and the manner in which this is expedited is examined from the point of view of state support for smallholder farmers. This is undertaken by highlighting the political importance of agriculture in terms of export earnings and the share of the national budget allocated to the sector.

In line with the aforementioned, the historical evolution of discourses pertaining to agricultural commercialisation during the past few decades and the ramifications of large-scale agricultural investment and cooperativisation are described and analysed. In due course, the key actors and pertinent legislation and policies that embody these are identified. The review also sheds light on current debates and interests linked to agricultural commercialisation and the processes and actors involved in decision making. The roles of (and the links between) national and sub-national governments, donors, farmers' organisations, political parties/dominant party, and the private sector are taken into account in this regard. Looking at the state of domestic agricultural production and importation of agricultural commodities – and their ramifications, both for official rhetoric and the reality on the ground – is thus deemed essential to examine the situation surrounding agricultural commercialisation in Ethiopia.

1.2 Methodology/study method

In order to address the study objectives, we used a qualitative research approach to elicit data/information from secondary sources on agricultural commercialisation in Ethiopia, comprising research reports, policy and strategy documents, and grey literature. We examined relevant policies and strategies to establish the extent to which agricultural commercialisation is taking place at the level of smallholder production and large-scale commercial agricultural investments. This state of agricultural commercialisation is reviewed from the point of view of the prevailing Ethiopian political economy in relation to the roles and interests of various stakeholders. Specifically, it explores those who may support, resist and/or drive the process of commercialisation by shedding light on the debates surrounding this.

2 THE POLITICAL IMPORTANCE OF AGRICULTURE

This section explains the rationale and justification for considering agriculture as a sector that is of vital importance for economic livelihoods in Ethiopia, and explores its political ramifications.

2.1 Background

Agriculture is the major source of livelihood for over 80 percent of the Ethiopian population, employing the bulk of the labour force. It accounts for more than 40 percent of the country's gross domestic product (GDP), with an annual growth rate of 9 percent – somewhat lower than that for industry (15 percent) and services (12.5 percent) (Ministry of Finance and Economic Development (MoFED) 2012). Agriculture is also the main contributor to the country's foreign exchange earnings, through export commodities such as coffee, oil seeds and pulses, which dominate the agricultural export market. According to the Ethiopian Economics Association/ Ethiopian Economic Policy Research Institute (EEA/ EEPRI 2013), Ethiopia's export sector grew more than fivefold in the past decade, from $483m in 2002/03 to $2.7bn by 2010/11. Agricultural commodities dominate the export sector, and their value increased from about $300m to about $2bn, with foreign exchange earnings thereof rising from 63 percent to 71 percent during that time.

Various studies (EEA/EEPRI 2013; Demese, Adnew and Mellor 2010; Bill & Melinda Gates Foundation 2010) attest that improved export performance in the sector resulted in a situation where the value of imported agricultural inputs (including fertiliser) was less than the proceeds accrued thereof. Whereas this is indicative that the balance of trade is marked by surplus when taking the performance of agriculture in isolation from that of other sectors, the surplus obtained is channelled to address the demands of non-agricultural sectors, resulting in a balance of trade deficit for the overall Ethiopian economy.

The share of the annual budgetary allocation earmarked for agriculture is also indicative of the sector's importance. From 1980 to 2010, Ethiopia has allocated an average of 10.6 percent of its annual budget to agriculture. This rose to 14.4 percent during the first decade of the period following the launch of the Comprehensive Africa Agriculture Development Programme (CAADP) (2003–2013). In both cases, this clearly remained over the 10 percent threshold stipulated by the CAADP framework.[1]

Cognisant of the sector's multifaceted roles in the socioeconomic life of the country, successive Ethiopian political regimes (and particularly EPRDF government) recognised its importance in political terms. Keeley and Scoones (2000) rightly viewed that the famine episodes that unfolded in 1973/74 and 1984/85 due to a combination of natural vagaries and policy neglect of the sector, resulted in its poor performance – thereby contributing to the downfall of imperial rule and the military regime in the mid-1970s and the early 1990s respectively. It should be noted that disaffected rural communities, constituting the large majority of Ethiopians, extended tacit and/ or open support to forces that set out to bring about the experienced regime changes. Drawing lessons from these, the EPRDF embarked on the task of transforming the performance of the agricultural sector in general, and smallholder production in particular, by demonstrating robust commitment to achieving food security by investing substantial political capital to this end. As a consequence, Ethiopia's overarching development policy from the mid-1990s onwards was anchored in what came to be known as the Agricultural Development-Led Industrialisation (ADLI) strategy (EEA 2011: 27).

2.2 Changing political landscape

Ethiopia is one of the largest countries in Africa with a long history of independent statehood and a population of about 100 million. The country's significant contributions to the decolonisation of several African countries were accorded due recognition in the post-colonial era, which saw it selected as the seat of the Organization of African Unity (OAU) (later renamed the African Union) and the United Nations Economic Commission for Africa (UNECA).

The incumbency of imperial rule was signified by the ushering in of different aspects of modernity in the workings of Ethiopia's political economy, which led to several changes that underpinned the fabric of society. These were expressed in the expansion of access to

modern social and physical infrastructure, mushrooming of urban centres, increased exposure to modern ways of life, and proliferation of industrial and service-providing establishments. Cognisant of the potential role of agriculture as a means of accelerating economic transformation, reducing poverty and generating employment opportunities for broad sections of the population, the imperial government and its successors put a high premium on the need to improve the sector's performance (Mellor and Dorosh 2010). The bulk of agricultural land with which the country is abundantly endowed, however, lies in the lowland areas, which are characterised by lack of basic infrastructure, lack of skilled and unskilled labour, and lack of health facilities and marketing services.

During the launch of its Second Five-Year Development Plan (1963–1967) in particular, the imperial regime embarked on the expansion of large-scale irrigated agricultural schemes, most of which were expedited by evicting sedentary farmers and shifting cultivators. As a consequence, modern commercial farms proliferated in and around the south-eastern plateau and the western and north-western lowlands, in the Awash Basin and the Rift Valley, producing cotton, sugar cane, coffee, soybeans and sesame, among other crops[2]. The aforementioned positive developments notwithstanding, however, broad sections of Ethiopian society faced several challenges, linked to governance deficits, socioeconomic hardships, environmental degradation, and mounting population pressure, with a lack of political will and state capacity to address these challenges. This led to differences among and between social forces that espoused divergent views and aspirations, triggering unmet expectations and a sense of exclusion that eventually culminated in the 1974 revolutionary overthrow of the age-old monarchy.

The military administration that supplanted the monarchy introduced radical political and socioeconomic reforms by adopting socialism as its ideological orientation. Though limited in terms of durability and scope, the reforms of the post-revolution years aimed to address the causes of societal discontent and ushered in a plethora of measures aimed at transforming the workings of political economy and state–society relations in the country. The reforms served to terminate imperial rule, abolish landlordism exercised by the feudal gentry, entrench secularism in the workings of the state by dissociating the structures and mode of operation of government from religion and ethnicity, and create new units of local and grassroots self-government. The Land Reform Act (Provisional Military Administrative Council (PMAC) 1975) rendered all land public property under the custody of the state, which led to nationalisation of private commercial farms that were turned into either state farms or agricultural producers' cooperatives.

According to some scholarly works (Clapham 1990: 115, 130; Pausewang 1983: 158–9) on agrarian relations of the post-revolution years in Ethiopia after the land reform, the supply of foodstuffs to the urban centres at affordable prices was threatened. This could be attributed to two indirectly related factors: (1) an increase in the level of consumption of the peasantry resulting from the elimination of surplus extraction by the dispossessed landed gentry; and (2) peasants' reluctance to increase production over and above what they need for subsistence due to the absence of economic incentives to increase production and productivity. In the latter case, the new agrarian relations shared similar characteristics with previous practices, mainly in terms of entrenching barriers to production. The barrier to production was signified by surplus extraction through the introduction of new taxes and monetary and labour requisitioning by the state.

Although the land reform ended the appropriation of rural communities' resources by private interests, a repeat of the same was witnessed, driven by the urge for regime survival and security, with a view to stemming the tide of emerging insurgent activities. The state's excessive resource extraction prevented smallholders from enjoying the positive gains resulting from land reform. Another factor that hampered smallholder gains was the fragmentation of plots caused by frequent land redistribution, which rendered smallholdings economically meaningless. This trend resulted in widespread poverty, food shortages and other forms of vulnerability[3] affecting smallholder producers. These ills were compounded by rainfall variability and erratic climatic conditions, which aggravated recurrence of drought episodes[4].

The pressure exerted on smallholders thus entailed a steady outflow of labour to state farms, which enjoyed privileged access to credit facilities, extension services and improved agricultural inputs (Berhanu and Poulton 2014: 205). The ideologically driven policies and practices of the military regime adversely affected other sectors, including large manufacturing enterprises, financial institutions, and other nationalised firms dubbed as the commanding heights of the economy[5]. The performance and economic viability of state-owned enterprises in both agriculture and manufacturing continued to deteriorate due to mismanagement, neglect and policy shortfalls (Chole 2004: 239–43). Although there were attempts to attract new investment by offering incentives and providing guarantees against further nationalisation (Keller 1991: 247; Wubneh 1990:

210), the general economic climate that was shaped by the prevalent policy regime undermined the enthusiasm of foreign and domestic investors to proactively engage in economic development.

A series of contradictions and antagonisms that underpinned state–society relations during the reign of the military regime gradually developed into a general civil war, culminating in the destruction of the multinational opposition such as the Ethiopian People's Revolutionary Party, the All-Ethiopian Socialist Movement and the Ethiopian Democratic Union. These, among others, opposed the policies of the military regime, and the resulting conflict led to massive loss of life and property, and destabilisation of the fabric of societal life. In May 1991, the military regime was forcibly ousted by the combined and consolidated efforts of the EPRDF and the Eritrean People's Liberation Front (EPLF), which seized the reins of power in Ethiopia and Eritrea respectively.

Under the EPRDF, ethnic groups were given the right to self-determination, which was introduced as the cornerstone of the programmatic drives of the new dispensation (Young 1997) as enshrined in the Transitional Charter (Transitional Government of Ethiopia (TGE) 1991) and later the incumbent constitution (Federal Democratic Republic of Ethiopia (FDRE) 1995). Federalism was adopted as a form of government anchored in ethnicity and decentralised governance (FDRE 1995; TGE 1992). Legal opportunities for popular participation in socioeconomic and political processes were provided by ensuring the rights of citizens to engage and be represented in decision making. The inauguration of multiparty politics as an important milestone in the country's political history shaped the state of affairs in post-1991 Ethiopia, and several nation-wide and ethnic-based regional parties were formed and participated in periodic elections. However, the EPRDF persistently dominated the often controversial elections by unsparingly using its advantage of incumbency and organisational prowess to stay in power. Hence, post-1991 electoral contests were more about rhetoric and formal semblances of multiparty competition that did not allow the electorate to have policy choices on agrarian reform due to the EPRDF's absolute monopoly of the public space and the political arena, to the detriment of other contenders. This was further exacerbated after 2005 when the regime embarked on a series of coercive measures reinforced by several draconian laws that rendered the political opposition largely ineffective.

On the economic front, most of the initial reforms were directed towards boosting the performance of the agricultural sector. The post-1991 dispensation reinforced this process by adopting policies anchored in free market principles, which, it was presumed, would extricate economic actors in general and smallholders in particular from the bondages of the military regime's ideologically driven economic policies. Lefort (2012) noted that rolling out the agricultural extension scheme and creating unconstrained market outlets led to a virtuous cycle of productivity and increased rural demand for agricultural inputs.

Although positioning smallholder production at the centre of Ethiopia's post-1991 development strategy enhanced the position of the peasantry in the policy arena, the autonomy and performance of smallholders are curtailed due to the EPRDF's quest to control them through a statist system of patron–client relations (Berhanu and Poulton 2014). This is evidenced by the fact that farmers' associations are reduced to the status of appendages of government bureaucracy and ruling party structures. Accordingly, a plethora of agencies such as local and grass-roots administrations, party committees, and 'development teams' are tasked to deal with land allocation, provision of public amenities and other services (ibid.). New power reconfigurations in the socioeconomic and political spheres evolved in the aftermath of the 1991 regime change as a constellation of ethno-national regional parties (including other groups based in the less-developed peripheral areas dubbed as 'emerging' regions)[6] and those that controlled the four major regions[7] were affiliated to the EPRDF. Hence new power relations that shaped the prevailing political economy and settlements unfolded with the proclaimed aim of rectifying the age-old skewed relations between actors in the highland agricultural core and the pastoralists in the peripheral lowlands (Markakis 2011). However, application of the principle of democratic centralism, which short-circuited the devolution of power and functions, entrenching top-down approaches, gradually led to the EPRDF's omnipotence in policymaking at every level of the administration (Abbink 2011).

In the past few years, the EPRDF has favoured the emergence of an activist developmental state whose proponents argued that Africa's predicament was perpetrated by predatory regimes whose behaviour and action entailed market failures and institutional inadequacies, which ushered in vicious circles of underdevelopment and poverty. It is thus believed that these shortfalls can be addressed only through an activist state that embarks on a third way by drawing lessons from the experience of East Asian countries which eliminated market failures through introducing measures against rent-seeking practices (Zenaewi

2012). Scholars evaluated the recent Ethiopian experience in a relatively positive light and underscored the government's commitment to ensuring pro-poor development by boosting its role in managing rent creation and distribution. Vaughan and Gebremichael (2011: 10) opined that the government had achieved 'a high degree of centralisation of rent management and allocation while retaining control over a large proportion of available sources of rents and economic levers'. Kelsall (2013: 101) also argued that Ethiopia's 'development policy has been facilitated by a formidable concentration of political [and] economic power'. According to the same source, such disposition of the regime is bound to entail considerable consolidation of state capacity and firm party control over government institutions. For Uqobay (2015), the developmentalist policy of the activist Ethiopian state was successful in unlocking prospects for sustained growth in a manner unprecedented hitherto. Berhanu and Poulton (2014) underlined the dominance of the ruling party as a central element of the current trajectories of Ethiopia's political economy. They argued that the EPRDF recognised that the eventual overthrow of its two predecessors was partly precipitated by their failure to address the problem of agrarian transformation. This led to the EPRDF's quest for acceptance by expediting various mechanisms to cater for the needs of the population while concurrently effecting social control.

The EPRDF's developmental efforts were generally viewed as stemming from the potential insecurity embedded in the prevailing political settlement. Though relatively effective, state intervention in rent management and centralisation also carries a number of risks. Gebreeyesus (2013) stated that unbridled government interventions that took place in this manner resulted in tensions and policy uncertainties. More serious, however, was the government's drive to crowd out private capital by restricting access to credit and foreign exchange – a concern frequently raised by international financial institutions (IFIs) as well as scholars (Altenburg 2010). In a landscape dominated by state control of the economic commanding heights, the risk of fusing business and politics and excessive control of public institutions and resources could be imminent due to possibilities that the state could lend preferential treatment to firms and operators that are close to it in a network of patron–client relations.

In terms of outcomes, developmental efforts in Ethiopia have not yet succeeded in realising goals associated with structural transformation of the economy. Poor performance in effecting forward and backward linkages between sectors, rampant power outages, constraints in equitable access to foreign exchange for importing capital goods needed by thriving industrial firms (due to skewed power relations and state monopoly of the commanding heights), and weak domestic markets due to prevalent poverty could be some of the factors for this. Gebreeyesus (2013) noted that despite the need to strengthen linkages between agriculture and industry as one of the core principles of ADLI, the prospects for realising this still remain far-fetched. It is to be recalled that the prevailing political settlement in Ethiopia is anchored in the centrality of ethnicity in both its horizontal and vertical dimensions. Horizontally, the elite factions that comprise the ruling coalition are ethno-regional parties, while vertically, the ethnic factor expresses itself in networks comprising officially recognised mass organisations, endowments, and businesses that are closely associated with the EPRDF's member organisations, which exercise patronage and distribute rents.

2.3 Importance of lending support to smallholder farmers

By and large, the prevailing political settlement in Ethiopia is characterised by a level of relative insulation from vertical pressures as there is little popular participation in policymaking processes. This resulted from the absence of organised pressure groups that could exert meaningful influence in the course of advancing legitimate claims and demands. Nevertheless, policy formulation at times takes into account the need to reduce vulnerabilities that could entail popular opposition resulting from discontent of smallholder producers in particular. It is also noteworthy that the ethnic compartmentalisation of the ruling coalition at times leads to fissures and fractures between and among the constituents of the ruling coalition. The recent uprising in Oromia and Amhara regions caused by a range of unaddressed issues could be cited as a case in point. Furthermore, the uneven nature of distribution of power between the different factions of the ruling coalition may also lead to strains, thereby questioning the viability of the prevailing political settlement.

Ethiopia's agricultural policy under three successive regimes (the monarchy, military rule, and the EPRDF) has undergone several changes in terms of major drivers, foci, and presumed outcomes. Regardless of these changes, however, the central objective of agricultural development policies across the board remained the same – namely, ensuring food security and economic growth.

The three Five-Year Development Plans of the imperial government (covering the period 1957 to 1973/74) alternated their priorities between emphasising either large-scale commercial farms to enhance the volume

of exportable products or improving the performance of smallholders to ensure domestic food security and rural employment (Dejene 1990). In all cases, the different initiatives attempted under the imperial regime were undermined by various structural deficits such as the prevalence of landlordism, absence of strong leadership committed to agrarian change, and poor infrastructure that impeded efficient marketing of agricultural products (EEA 2005; Rahmato 2004). Agricultural policies under imperial rule aimed to promote agricultural commercialisation by focusing on export-oriented direction and, to some extent, encouraging private commercial farming by providing support to new graduates of the then agricultural colleges without removing entrenched structural barriers. This rendered efforts in this regard largely futile.

Under military rule (1975–1991), state farms and agricultural cooperatives were accorded primacy, enjoying privileged access to improved inputs, technical services, fertile land, and higher farm gate prices (EEA 2005). It was envisaged that these could form the basis for agricultural development given their potential to address the underlying ills affecting the sector's performance. On the other hand, household farms experienced a steady decline due to neglect and imposition of undue regulatory measures. The aforementioned notwithstanding, the military regime introduced new changes in agrarian relations by enacting the Land Reform Act (PMAC 1975), which entrenched public ownership under the custody of the state, thereby terminating landlord–tenant relations expedited by distributing farm plots to the landless in rural areas.

It could be argued that agrarian reform under military rule did not lend an exclusive focus on agricultural commercialisation. Rather, it was aimed at garnering support for the regime by catering for the needs of landless peasants, who comprised the majority of the population, ensuring food security in a country that had been stricken by famine, and effecting state control of the rural population under the rubric of a plethora of organisational models such as collective, state and cooperative farms, mimicking what took place in the former socialist countries.

Agricultural policy and attendant practice under the EPRDF commenced with the introduction of the ADLI strategy in the early 1990s. In a bid to justify the positive ramifications of this strategy, which emphasised the prominent role of smallholders, the government argued that improving the performance of smallholder agriculture was a key factor in efforts to deliver agrarian transformation in the country. By taking Ethiopia's comparative advantages (availability of abundant resources such as agricultural land and labour) as its point of departure, the EPRDF underlined the importance of smallholder agriculture in a manner that was markedly distinct from its predecessors. This became the cornerstone of efforts to realise economic recovery through improved performance of the sector and hence increased support to smallholders was presumed to lead to increases in farmers' income, poverty reduction, industrial inputs, and marketable surplus (Rahmato 2008). It was estimated in 2012 that there were about 13 million smallholder farming households,[8] each holding an average of only 1 hectare[9]. In the face of ever-growing population size and dependence on factors like weather conditions, outdated technology, and poor networks and infrastructure of production and marketing, further fragmentation of parcels is bound to occur, rendering efforts to realise surplus production far-fetched. Nevertheless, despite these constraints, smallholder agricultural production in 2012 accounted for 85 percent of the country's total agricultural output[10].

As mentioned, agriculture plays multifaceted roles by impacting on different aspects of socioeconomic life in Ethiopia. The smallholder sub-sector dominates Ethiopian agriculture because it produces the bulk of outputs for consumption and the market (Gebreegziabher, Woldehanna and Oskam 2005), with considerable potential for boosting the country's socioeconomic development endeavours (Rahmato, Akalewold and Yoseph 2010: 29). Due to this, successive governments have put a high premium on smallholder production as a priority area for agricultural policy interventions. Nevertheless, performance of the sub-sector is frequently bedevilled by a host of adversities expressed in food availability decline and the associated crisis in rural livelihoods, which has often necessitated dependence on food aid. Cognisant of the centrality of smallholder agriculture in several respects, the EPRDF regime formulated ADLI to focus on transforming the performance of smallholder farmers by rolling out a well-coordinated agricultural extension and research system that could address problems of poverty and food insecurity. Other associated goals enshrined in the ADLI strategy include commercialisation and product diversification, and effecting a gradual shift to the production of high-value crops for domestic consumption and export-oriented marketable surplus. To this end, the government designed interventions that took into account the country's comparative advantages, including agro-ecological diversity.

Since coming to power, the EPRDF has made smallholder farmers the focus of state interventions. The government received support from smallholder

farmers who hoped to get preferential access to agricultural inputs and other services. For its part, the government declared in its various policy documents that the stimulus for public support to smallholders was prompted by the urge to improve productivity, production capacity and empowerment, which it was envisaged would ensure national food self-sufficiency, an increase in the volume and variety of industrial raw materials, and producing for the export market (EEA 2005). The urge to bring about economic recovery by transforming the performance of smallholder farmers was driven by the recognition of their pivotal role in boosting efforts to attain fast economic growth on the one hand and serving as a bastion of regime legitimacy and acceptance on the other. In its bid to win the support of smallholder farmers by catering for their needs, the EPRDF also strived to perpetuate itself in power by securing sizeable electoral votes from them. Hence government support for smallholders has been driven by the closely intertwined twin objectives anchored in overriding economic and political imperatives. In light of this, the EPRDF was keen to retain its support base rooted in smallholder farming communities, which has been the case since the heyday of its armed insurgency against the military dictatorship. Moreover, it appears that the EPRDF has drawn useful lessons from previous experiences whereby the fall of its predecessors (the imperial and military regimes) was precipitated by the disaffection and alienation of smallholder producers.

3 PUBLIC SUPPORT FOR AGRICULTURAL DEVELOPMENT

With the aim of boosting the performance of the agricultural sector, there has been considerable public support to this end, covering areas such as: (1) agricultural research; (2) agricultural input multiplication and supply; (3) agricultural extension; (4) promotion of group action through cooperatives; and (5) engagement in selected agricultural commercialisation clusters and establishment of agro-industry parks. Public investment in terms of annual budget allocations shows that while other sectors (agriculture, water and energy, industry and trade, mining, transport and communication, urban development and construction) received about 25 percent of the total budget, agriculture received about 16 percent (almost $0.5bn for the 2015/16 Ethiopian fiscal year) (MoFED 2016).

3.1 Agricultural research

Formal public agricultural research commenced during the imperial era with the establishment of higher learning institutes, namely Ambo Agricultural School (late 1930s), Jimma Agricultural Technical School (JATS) (1942), and Alemaya College of Agriculture (now Haromaya University) in 1954. As understanding of the ramifications of a formal agricultural research system grew, the Institute of Agricultural Research (IAR) (now the Ethiopian Institute of Agricultural Research (EIAR)) was established in 1966 (Bishaw, Sahlu and Simane 2008). EIAR currently serves as a federal public research institute, with 16 research centres.

With the decentralisation of the public governance arena, the agricultural research system followed suit. The formation of Regional Agricultural Research Institutes (RARIs) in 1997 included: Afar Pastoral and Agro-Pastoral Research Institute (APARI), with three research centres; Amhara Regional Agricultural Research Institute (ARARI), with eight research centres; Gambella Agricultural Research Institute (GARI), with four research centres; Oromia Agricultural Research Institute (OARI), with 26 research centres; Somali Pastoral and Agro-Pastoral Research Institute (SoPARI), with six research centres; Southern Agricultural Research Institute (SARI), with six research centres; and Tigray Agricultural Research Institute (TARI), with seven research centres. Universities with agricultural faculties (currently 26) are also considered as members of the national agricultural research system.

Given the increase in the number of actors engaged in agricultural research and the evident need to ensure coordination and alignment, a National Agricultural Research Council (NARC) was established in 2015 as a federal public institute with a mandate for undertaking coordination at national level. Though this represents an attempt to ensure effective coordination to avoid duplication of efforts, there is as yet no clear mechanism for ensuring aligned engagement. EIAR used to have a mandate to conduct research and coordination before the NARC was set up, but the coordination mechanism remains very weak due to the absence of clear ways of synergising and aligning research programmes. Since all existing organisations are public entities, their financing comes from the government. Whereas NARC, EIAR and universities get their funding from the federal government, RARIs are funded by their respective regional governments. Setting the research agenda is often guided by the public agricultural sector development agenda, with the direct engagement of policymakers who assign research managers.

The key challenges facing the national agricultural systems are: (1) limited synergy and coordination of NARS members linked to the decentralisation of the system and emergence of diverse research actors; (2) limited adoption of available technologies that imply reduced impacts; (3) eminent challenges in managing human resources, reflected in the recent high turnover of senior researchers, which threatens the research system; and (4) lack of required research facilities and inputs (Mekonnen et al. 2015). The limited adoption of technologies is partly associated with the prevailing challenges in commercialisation of generated agricultural technologies.

3.2 Agricultural extension

Agricultural extension has been one of the core agricultural policy arenas that has enhanced the diverse stakes of political regimes in Ethiopia. During the imperial era, there was a shift of emphasis from promotion of large-scale farming (the main emphasis during the first two Five-Year plans, covering 1957–

1962 and 1962–1967), to promotion of small-scale farming aimed at modernising smallholder agriculture (during the third Five-Year Plan period, covering 1968–1973). The core content of the extension programme was a package comprising the comprehensive and minimum package programmes, which focused on promotion of modern inputs, credit, extension services, and the formation of cooperative societies. These were expedited through area development programmes that included the Chilalo Agricultural Development Unit (CADU) (1967), the Wolaita Agricultural Development Unit (WADU) (1970), and the Ada District Development Project (ADDP) (1972). While these programmes helped to develop Ethiopia's expertise in agricultural intensification, their scale was too small to boost output or productivity (Berhanu 2012; Spielman, Kelemwork and Alemu 2011).

During military rule (1975–1991), the minimum package programmes continued targeting collectives, peasant cooperatives and state-owned farms, and extension services had been reduced to being instruments of political control over the peasantry, while input and credit provision was largely focused on covering the inefficiencies of large state farms and peasant collectives (Spielman et al. 2011; Wubneh 2007).

Since the 1991 regime change, the EPRDF-led government has tried to boost the production and productivity of the agricultural sector through diverse agricultural extension interventions and input delivery systems under the overall macroeconomic policy framework of ADLI. The first was the National Agricultural Extension Intervention Programme (NAEIP), which started in 1993 as a scale-up of the Participatory Demonstration and Training Extension System (PADETES), an integrated programme of extension, seed, fertiliser and credit that was piloted by Sasakawa Global 2000 (SG2000). This was accompanied with input subsidies mainly for seed and fertiliser, although these were abolished in 1997 to create a competitive market through fertiliser price liberalisation. However, this did not succeed due to the government's continued control over marketing and credit (Spielman et al. 2011). As a result, the Agricultural Input Supply Enterprise (AISE) and cooperative unions became the sole actors engaged in fertiliser importation and in wholesale and retail markets, in conjunction with the regional input supply and extension systems. The core actors in enhancing the extension system are the numerous farmer training centres (FTCs) and the 25 Agricultural Technical Vocational Education and Training (ATVET) colleges that train development agents, the frontline extension workers.

In an effort to improve agricultural extension coverage, the government set a target of reaching 15.2 million farmers in 2015 and 18.2 million by 2020, when the current Growth and Transformation Plan ends. In addition, the plan aims to increase reach to pastoralists, from 0.72 million (2015) to 0.89 million by 2020; and to increase reach to semi-pastoralists, from 0.47 million (2015) to 0.57 million by 2020 (Ministry of Agriculture and Natural Resources 2015).

3.3 Agricultural input multiplication and supply

In 1978 the Agricultural Marketing Corporation (AMC) was set up to manage agricultural input importation, storage and transport, while the Ethiopian Seed Corporation (ESC) was mandated to implement a comprehensive national seed plan and develop a system of multiplying and distributing improved seed. AMC was replaced by the Agricultural Input Supply Corporation (AISCO) in 1984, with an extended mandate to import and distribute fertiliser and market other agricultural inputs. AISCO is still operating today, with the same mandate as one of the public enterprises with due focus on importation of agricultural inputs (agro-chemicals, fertiliser and vegetable seeds).

The ESC was replaced by the Ethiopian Seed Enterprise (ESE) in 2002 with an overall mandate of production of seeds of important crops. With the progress of the decentralisation of the country's governance structure, regions started to establish their own public seed enterprises: the Oromia Seed Enterprise was set up in 2008, the Amhara Seed Enterprise in 2009, the South Seed Enterprise in 2010, and the Somali Seed and Forage Enterprise in 2014. Though the main purpose of these public enterprises is production and supply of seeds for all commercial and non-commercial crops in the country, they are mainly engaged in just a few crops – production of seeds of hybrid maize and wheat (more than 80 percent of the certified seed produced by these crops annually).

Recognising the importance of agricultural inputs in promoting agricultural commercialisation, the government set targets for input production and distribution along with addressing systemic issues. In terms of seed, the target is to increase availability of certified seed from 187,000 tons (2015) to 356,000 tons by 2020, which amounts to about 8 percent annual average growth rate. Similarly, the availability of chemical fertilisers is set to increase by 15 percent every year so that by 2020 the total use of fertiliser will reach 2.06 million metric tons. Linked to this, the voucher

input credit system piloted in 81woredas is expected to be scaled-up and implemented across all regions. A national data management system on agricultural inputs supply is also expected to be established to ensure availability of accurate input production and market information (Ministry of Agriculture and Natural Resources 2015).

3.4 Support to farmers' cooperatives

Though the genesis of cooperative movements in Ethiopia could be traced back to the 1960s under imperial rule, formal public support started during the reign of the military regime (1974–1991), when cooperatives were formed to assist in the implementation of the government policy of collectivisation (villagisation) under the regime of collective property ownership. With the fall of the military regime in 1991, almost all the cooperatives were dismantled. Since 1994, the EPRDF has started promoting cooperatives based on principles adapted from the international cooperative movement, which include: (1) voluntary membership; (2) the ability to fully participate in the free market; and (3) absence of government intervention in their internal affairs (Tanguy, Abate and Lemma 2013). However, agricultural cooperatives in Ethiopia tend to be more government-induced and devoid of autonomy – in reality, functioning as clients of the regime in power. In 2012, there were 43,256 cooperatives in total, of which 11,452 were agriculture-related under 245 agricultural cooperative unions. The overall intention of promoting cooperative societies was to ensure the establishment of at least one cooperative in each kebele in all regions. However, there is considerable difference across regions in terms of coverage. Tanguy et al. (2013) reported that the proportion of kebeles to cooperatives was 97.6 percent in Tigray, 46.2 percent in SNNPR, 43.2 percent in Oromia, and 36.2 percent in Amhara.

The main purpose of promoting cooperatives was to ensure provision of different services that would empower rural communities through: (1) creating economies of scale in agricultural input and output marketing; (2) enabling technology and knowledge transfer in a more efficient and cost-effective manner; (3) enabling communities to add value to their primary raw products and to participate in local agro-industry development; and (4) making an overall contribution to promoting broad-based economic development (Alemu et al. 2011). However, the most important services that are currently provided by agricultural cooperatives are supply of inputs (mainly seeds and fertilisers) and credit, with very marginal contribution to commercialisation services (Tanguy et al. 2013; Alemu et al. 2011).

These aforementioned trends indicate that although there has been considerable investment in promoting cooperatives, there has been little improvement in service provision, specifically in terms of enhancing smallholders' capacity for agricultural commercialisation. This reflects the challenges facing cooperatives, which include: (1) limited capacity in cooperative management; (2) excessive local government intervention; and (3) limited incentives for membership (Tanguy et al. 2013; Alemu et al. 2011; Spielman, Cohen and Mogues 2008).

3.5 Famine, safety net and links to domestic agricultural production

Linked with famine and natural disaster mainly in relation to prevalent drought and severe land degradation, formal public response programmes and policies were made during the Derg and EPRDF regimes. The main measures during the Derg regime were the resettlement of people from famine-affected areas (mainly from the north) to different parts of the country, villagisation and collectivisation, along with emergency food programmes. In the early years of the EPRDF regime, especially following the 1983–84 famine, the policy response was through ad hoc emergency appeals for food aid and other forms of emergency assistance, delivered either as payment for public works or as a direct transfer to affected households.

Recognising the limitations of ad hoc responses to address chronic food insecurity challenges in a sustainable manner, in 2005 the Government of Ethiopia and a consortium of donors embarked on a new approach called the Productive Safety Net Programme (PSNP), which considers transfers to those most in need in chronically food insecure woredas in a way that prevents asset depletion at the household level (direct support) and creates assets at the community level (food-for-work or cash-for-work).

The early responses and PSNP approach considered local procurement of food, which was expected to facilitate the commercialisation of farmers in surplus-producing areas of the country. Reports show that around a quarter of Ethiopia's food aid since 1996 has been procured locally (maize, wheat and sorghum), and the volume is on average equivalent to about 12 percent of Ethiopia's marketed surplus for these crops (Walker and Wandschneider 2005).

As well as saving the lives of between 2 million and 7 million people, these interventions played a crucial role in reducing household asset depletion, assisting rehabilitation of degraded land and other community

resources, and facilitating commercialisation of smallholders, especially maize and sorghum producers, by creating market opportunities.

3.6 Agricultural commercialisation clusters and agro-industry parks

Within the ADLI strategy, the government is currently implementing two initiatives that are expected to enhance the processes of agricultural commercialisation and rural industrialisation. The first involves promoting an agricultural commercialisation cluster (ACC) approach, adapted from successful experiences of geographic approaches (also known as economic corridors or clusters) employed in Asian, Latin American and other African countries. The main aim of this initiative is to provide a strategic platform to drive greater integration and more effective execution of multiple and prioritised interventions across priority value chains in each cluster or geographic corridor. More specifically, the ACC initiative has four objectives: (1) driving specialisation, diversification and commercialisation of agriculture for priority commodity value chains; (2) enhancing production and productivity, quality of outputs, aggregation, value addition and market linkages; (3) providing an integrated platform to implement multiple, priority interventions across the value chains and sectors; and (4) improving focus and coordination among actors in the public sector and private sector, as well as donors and NGOs. The ACC initiative targets four regions (Amhara, Oromia, SNNPR and Tigray), which have identified a total of 29 clusters for priority commodities (9 clusters in Amhara, 8 in Oromia, 8 in SNNPR and 4 in Tigray). Priority commodities include the major cereal crops (teff, wheat, maize), horticulture crops (pepper, potato, onion), high-value crops (coffee and sesame), and livestock products (meat, cows' milk, poultry and honey) (Agricultural Transformation Agency (ATA) 2016). In order to ensure the implementation of these plans, an independent governance structure has been put in place, whereby regional cluster secretariats report to regional transformation councils, chaired by regional presidents. Similarly, a national ACC secretariat has also been established to provide overall coordination and implementation support.

The second initiative involves promotion of integrated agro-industry parks (IAIPs), which began in 2015 with the Ministry of Industry setting a target of 17 such parks as epicentres for agricultural commercialisation in different parts of the country. The initiative is part of the Lima Declaration of the United Nations Industrial Development Organization's (UNIDO) Programmes for Country Partnership. There are four pilot sites: Humera (Tigray), Bure (Amhara), Zeway (Oromia) and Sidama (SNNPR). They target the development of agro-processing, leather, and textile and garments, which will make use of the raw materials produced around the vicinity of each park.

3.7 Facilitating investment in commercial farming

Commercial farming in Ethiopia has passed through different phases during the incumbency of successive regimes. It started during the imperial era, when the government provided incentives especially for agricultural professionals to start commercial farming and a number of other private commercial agricultural schemes that were mainly established along the Awash River. In 1974, signified by the ascendance of military rule, all privately owned commercial farms were nationalised and converted into state farms. In addition, a number of new state farms were established in different parts of the country based on the state farm model prevalent in the socialist bloc. Following the EPRDF's seizure of power in 1991, many state farms were dismantled and very few remained under the custody of the government, being gradually privatised or transferred to endowment companies.

The promotion of commercial farming in the early years of EPRDF rule was not clearly articulated. This became more evident in 2006 through the Five-Year Plan for Accelerated and Sustained Development to End Poverty (PASDEP), which cited commercial farming as one of the interventions to promote agricultural commercialisation, especially focusing on production that could generate foreign currency through export or could serve as a source of raw materials for the emerging agro-industries (MoFED 2006). In this regard, the limitations of smallholder production were recognised without being pessimistic, and PASDEP and large-scale land leases for commercial agriculture were expected to supplement efforts in smallholder agricultural production rather than replace them. This was linked with the establishment of a federal agency known as the federal 'Land Bank' tasked with administering land for agricultural investment on behalf of the regional governments. In other areas where there is no sizeable land for commercial farming, mainly in the highlands, the strategy focused on promoting high-value horticultural crops that can be produced in a limited land area through labour intensification.

The strategic interests in promoting commercial farming in Ethiopia are linked to: (1) enhancing agricultural exports; (2) ensuring gains from integration with smallholder farmers through technology transfer (physical technologies, knowledge and skill); and

(3) facilitating access to market by smallholder farmers' commercialisation efforts through contract arrangements between commercial farms and smallholder farmers (MoFED 2010). A good example in this case is sugar cane production around the big sugar estates and malt barley production promoted by malt factories and breweries.

3.8 Trends in earnings from export of agricultural products

Agriculture is the major export earning sector in Ethiopia and also serves as a source for more than 80 percent of employment. Promoting commercialisation mainly relating to the products of smallholder farmers for boosting exports has been one focus of public policy measures. In addition, with the quest for diversifying products for export, there are emerging sectors like floriculture and electricity, which have started to contribute to export trade and associated foreign currency earnings (MoFED 2014). Agricultural exports have traditionally been dominated by a few commodities such as coffee, oilseed, khat, and pulses, and by live animals, leather/leather products, and meat/meat products. With the exception of coffee, the value of the aforementioned export commodities has consistently increased over the past decade. Figures for 2015 indicate that of the total export value of about $3.1bn, the highest contributor was coffee with 25 percent, followed by oilseed (17 percent), khat (9 percent), pulses (7 percent) and cut flowers (7 percent). The share of livestock and livestock products was 12 percent (5 percent live animals, 4 percent leather and leather products, and 3 percent meat and meat products).

Since the commencement of macroeconomic reform policies in 1991, there has been considerable diversification of export items and a shift from heavy dependence on coffee, which declined from about 55 percent of total exports in 1991 to 25 percent in 2015, whereas the shares of other goods such as khat, cut flowers, leather and leather products has increased substantially. The flower industry represents the major success story, registering remarkable growth since 2002, reaching 7 percent of total exports in 2015. In order to enhance the export sector in general and agricultural exports in particular, various incentives have been introduced, which are categorised into export trade duty and export financing incentive schemes. The export trade duty incentive scheme was introduced in 2001 to improve foreign currency earnings and increase competitiveness of exporters in the world market through better access to production inputs at world market prices. This scheme applies to imported or locally produced raw materials to be used for the production of export commodities, packing export commodities, oil and lubricants, and other energy generating substances used by producers who are fully engaged in manufacturing export commodities. The export financing incentive scheme includes export credit guarantees, foreign exchange retention, and foreign credit schemes.

While there has been considerable public support for enhancing agricultural exports, there has not been any official public support to khat production or its commercialisation. There is no research, extension or export promotion for khat. However, the level of production and its contribution to generating foreign currency from exports has been increasing over time. In 2003, the area allocated for khat was 111,578 ha, involving 1.73 million farmers, which has since increased to 255,401 ha, involving 4.64 million households (Central Statistical Agency (CSA) 2004; 2017). This demonstrates the government's 'no-support no-ban' public policy on khat-related issues linked with foreign currency incentives. Some also argue that it is an instrument through which to maintain good relations with neighbouring countries that are high consumers of khat, such as Djibouti, Somalia and Yemen.

3.9 Summary

The summary of key policies and their relevance to agricultural commercialisation during the three regimes is presented in Table 1.

The military regime believed that the predicaments of Ethiopian farming communities/peasantry that were subjected to abject poverty and famine lay in landlord–tenant relations and private land ownership, which led to surplus extraction by the landed gentry and privileged absentee landlords under imperial rule. Hence various solutions were put forward to deal with the ills of the past: the need to make land public property under the custody of the state, abolish landlord–tenant relations, promote cooperativisation and collective and state farms, embark on villagisation of rural households, abolish hired labour in agriculture, requisition smallholder farm products based on quotas and price predetermined by the state, organise farmers in peasant associations, etc.

Economic development in the country in the post-1991 years focused on enhancing the performance of smallholder agriculture as a major driver to this end, as stipulated in the ADLI strategy. While public ownership of land was retained, all other projects of the military regime were either reformed or abolished altogether

under the EPRDF. It should, however, be noted that the interests of the EPRDF regime in promoting smallholder agriculture in a manner unprecedented hitherto were aimed at mollifying the peasantry disaffected by the stringent agricultural policies of its predecessor. They were also motivated by the desire to gain electoral and other forms of rural support for its survival and legitimacy, and the genuine belief that unconstrained smallholder productive activities would have multifaceted positive ramifications (e.g. ensuring food security, marketable surplus, increased state revenue, source of foreign exchange, and bulwark against domestic and external threats, among others).

Subsequent to this, the promotion of commercial farming with backward linkages to smallholder farmers was pursued in earnest by targeting interventions on the basis of agro-ecology and geographic location. Domestic and foreign investments in commercial agriculture are guided by different written and unwritten directives of the government. In terms of agro-ecology, commercial farming is expedited in the sparsely populated lowland areas where there exists relatively better agricultural potential. In terms of type of engagement in commercial farming, it is delineated for priority agricultural commodities that are deemed important for export and domestic agro-industries such as cotton, sesame and oil crops.

Public support for promoting farmers' cooperatives has been designed in a manner that ensures commercialisation of smallholder products through better aggregation and improved market access. To this end, cooperatives are envisaged to be the main target for the design and promotion of the Ethiopia Commodity Exchange (ECX) in order to create symmetrical level marketing platforms for cooperatives and other actors of the marketing system. However, except for a few cooperatives and unions, cooperative societies have made a very limited contribution to commercialisation.

Table 1: Key policies and relevance to commercialisation by regime

Regime	Key policies	Relevance to agricultural commercialisation
Imperial	The three Five-Year Development Plans of the imperial government	Promotion of agricultural commercialisation by: • focusing on export-oriented direction • to some extent encouraging private commercial farming by providing support to new graduates of the then agricultural colleges
		Limited commercialisation due to: • the prevalence of landlordism • absence of strong leadership committed to agrarian change • poor infrastructure that impeded efficient marketing of agricultural products
(1957-1973/4)	Land Reform Act Villagisation and promotion of agricultural cooperatives and state farms	• The stated agrarian reforms did not lend exclusive focus on agricultural commercialisation • The focus was ensuring food security at household level

EPRDF (1991 – present)	Introduction of the Agricultural Development-Led Industrialisation (ADLI)	• Overarching policy direction that emphasises the prominent role of smallholders and improving the performance of smallholder agriculture as a key factor towards ensuring agrarian transformation • indirect focus on agricultural commercialisation (promotion of cooperatives and improvement of marketing systems)
	Sustainable Development and Poverty Reduction Programme (SDPRP) (2000–2005)	• Emphasis on boosting production and productivity through improved use of seed and fertiliser and land tenure systems
	Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2006–2010)	• Clear emphasis on promotion of commercialisation of agriculture and enhancing private sector development • supporting the development of large-scale commercial agriculture • improvement of marketing systems through ECX and linked market centres
	Growth and Transformation Plan I (2011–2015)	• Continuation of PASDEP activities
	Growth and Transformation Plan II (2016–2020)	• Continuation of GTP I agricultural commercialisation activities • Proactive promotion of commercialisation through (1) agricultural commercialisation clusters and (2) Integrated Agro-Industry Parks

Source: Authors' own compilation

4 DISCOURSES, ACTORS AND POLICIES/ DIRECTIVES FOR AGRICULTURAL COMMERCIALISATION

The main discourses on agricultural commercialisation in Ethiopia revolve around the views of policymakers and practitioners; they may or may not emanate from existing policies and directives related to smallholder versus commercial farms, domestic versus foreign investment, and the associated roles of private, public and development partners in promoting agricultural commercialisation.

4.1 Small-scale vs commercial agriculture

The ADLI strategy, launched as an overarching development policy in the early 1990s, entailed shifts in the focus of public investments towards ensuring broad-based growth of smallholder agriculture and productivity. In the post-1991 period, a combination of relatively favourable internal and external economic and political factors unfolded, buttressed by substantial flows of development assistance. This enabled the country's agricultural sector and the economy at large to surpass previous growth rates. Despite the government's insistence that ADLI was the fastest and surest way to attain goals pertaining to economic recovery and development, critics argued that ADLI tended to disregard labour productivity, which remains the Achilles' heel of Ethiopian agriculture (Berhanu 2003). The strategy was questioned on the ground that peasant agriculture could not shoulder the onus of contributing to the realisation of expected outcomes given the small size of per capita land holdings and the low technologies applied in household farms in many parts of the country. On the other hand, Ethiopia's rural development policies and strategies (FDRE 2002) underlined that breaking the entrenched cycle of poverty and food insecurity could not be achieved without enhancing the performance of rural smallholder producers, who enjoy a number of comparative advantages in terms of availability of land and labour.

The motivation for enhancing the performance of smallholder farmers and large-scale commercial investment schemes to which the EPRDF regime is committed should be sought in the quest for forging durable political settlements. The political settlements approach is grounded on the social distribution of power anchored in mainstream economic structures. Power in political and economic terms is thus understood as the ability of individuals and groups to assert themselves as key players in a given setting (Gray and Whitfield 2014: 11). The social distribution of power, therefore, ushers in political settlements that are defined as a 'combination of power and institutions that are mutually compatible and sustainable in terms of economic and political viability' (Khan 2010: 4).

Despite the fact that ADLI still remains the cornerstone of the overall Ethiopian agricultural transformation policy, a new strategic direction has evolved during the past decade (Rahmato 2008; World Food Programme (WFP)/ Food and Agriculture Organization of the United Nations (FAO) 2010). The new strategy, known as PASDEP, envisaged that positive outcomes at a higher scale could be attained through: (1) embarking on road construction to connect agricultural localities to market centres; (2) developing agricultural credit markets; (3) rolling out specialised schemes in extension services; and (4) promoting production of high-value export crops. Accordingly, investment in large-scale commercial agriculture was encouraged, on the assumption that it would serve as a means of boosting production for domestic use and export, augmenting farmers' income, generating alternative employment opportunities for smallholders, and increasing government revenue. In line with the new policy direction, tens of thousands of hectares of rural land were leased to foreign and domestic investors in subsequent years. It is worth noting that the demand for agricultural land on the part of domestic and foreign investors rose sharply from 2006 onwards, reaching a peak following the 2007/8 global food crisis and the concomitant hike in the price of primary commodities.

Large tracts of land leased to private operators in this manner were officially declared as 'unutilised' and/or 'underutilised' and hence cannot negatively affect the livelihoods of smallholders. Nevertheless, studies have shown that most of the alleged 'idle' land was often used by local communities for different purposes, though not always for intensive cultivation of a permanent nature. In order to expedite the policy on large-scale land investments, the government enacted several

laws and associated guidelines that dealt with capital requirements, incentives in the form of tax holidays, remittance of profits by foreign investors, immunity against nationalisation, and payment of compensation whenever appropriating investment land for public use was deemed necessary. The plan for attracting foreign and domestic investors to engage in large-scale commercial agriculture was further reinforced in the first Growth and Transformation Plan (GTP I), which covered the period 2010/11 to 2014/15 (MoFED 2010).

Among the foreign investors, the India-based conglomerate known as Karuturi Global Limited initially received 300,000 hectares in Gambella regional state, which was later reduced to 100,000 hectares (Stebek 2011: 178). The same company obtained an additional 11,000 hectares in Bako Tibe district of Oromia region. Compared to local investors who acquired land for medium and large-scale agricultural production, foreign investors were dominated by those from India, Saudi Arabia, the United States of America (USA), Israel and the United Kingdom (UK) (ibid.), in descending order of significance.

Taking into account the aforementioned developments pertaining to agrarian transformation through large-scale land deals, Makki (2014) noted that while the Ethiopian state forged an alliance with the peasantry in the highlands, it entered into a marriage of convenience with profit-seeking investors engaged in commercial agriculture in the country's lowland regions. The question then is whether this measure represents a decisive break with the EPRDF's previous attempts to enhance the performance of smallholder farmers. If so, asking whether this reflects a change in the underlying political incentives identified earlier would be in order. In response, Getnet (2011: 3) suggested that the new direction began to unfold without abandoning the focus on smallholder agricultural production.

Proponents of the ongoing large-scale land deals spearheaded by the government underline the positive ramifications resulting from the new scheme by stating that it could bring multifaceted advantages. These include: an increase in the volume of products destined for export; creating employment opportunities for the rural population living in and around project areas; enhancing prospects for attaining national food security; exposing citizens to new technological know-how; facilitating the development of social and physical infrastructure in project localities; generating increased government revenue; and promoting energy security through producing bio-fuel plants. These rationales advanced by the Ethiopian government and its supporters are also upheld by multilateral agencies, including the World Bank (Deininger et al. 2010).

Notwithstanding the aforementioned, there was criticism from civil society organisations (CSOs), researchers, academics and human rights groups, highlighting the shortcomings of the schemes in question. For example, Rahmato (2011: 5–6) argued that the inconsiderate rush for large tracts of land by local and foreign investors would alienate smallholders from their customary rights and established ways of life. To substantiate this point, he claimed that commercialisation of land on such an unprecedented scale was boosting the power of the bureaucratic and economic elite at the expense of smallholders, who were already excluded from participation in decision making concerning the venture. Moreover, the current trend is believed to eventually result in the concentration of land – a critical resource – in the hands of few developers, potentially leading to conflict between those who benefit from the venture and the majority who are left out. Horne (2011) is also of the view that the adverse impacts of large-scale land investments in Ethiopia could result in loss of cultural heritage sites, dispossession and displacement of affected community members, and environmental hazards. According to Getnet (2011: 23–4), adverse outcomes of the ongoing large-scale land deals already being experienced include: undermining smallholder agriculture that sustains the livelihood of the majority of the country's rural population; elevating the status of foreign capital as the dominant player in Ethiopia's agrarian system; and depleting vital life-sustaining resources (farm and grazing land, sources of water, fuelwood and fish).

The contribution made by large and medium-scale commercial farms in Ethiopia's overall agricultural land allocation and production is still very low. Data from the CSA show that in terms of crop land allocation, large and medium-scale commercial farms account for only 4.8 percent of the total land cultivated, and only 4.3 percent of total national agricultural production during the 2014/15 cropping season (CSA 2015a; 2015b).

With greater promotion of commercial farming, both domestic and foreign investments in primary commodities have been steadily increasing. The priority areas for commercial agriculture are investments in industrial commodities, including rubber tree, sugar cane, horticulture, floriculture, fiber crops (cotton, jute, etc.) and cattle and dairy development. In addition, support for agricultural commercialisation includes promoting investment in the manufacturing sector (textiles and garments, and leather and leather products) with a backward linkage to agriculture. Agro-processing mainly comprises processing of horticultural products,

pulses, edible oil seeds, sugar (including ethanol), animal feed, barley for brewing, grape for winery, and meat products.

In this vein, incentives are provided to domestic and foreign investors. Foreign investors (who can invest alone or in partnership with domestic investors) are allowed to engage in areas open for foreign direct investment (FDI) without facing restrictions on equity ownership. The requirements in both cases are an investment permit from the Ethiopian Investment Commission (EIC), and presenting the required minimum capital ($200,000 for a single investment project, $150,000 for a joint venture with a domestic investor) (Glover et al. 2016). Regulatory frameworks have been repeatedly amended based on lessons learnt from experience.

Cognisant of the important role of the private sector, the strategic public documents state the need to build the capacity of the private sector for enhancing smallholder commercialisation (MoFED 2010; Ministry of Agriculture 2015). This is with a view that as agribusinesses expand, smallholder farmers can have better access to input and output markets, and to ensure better transfer of technologies and knowledge as key factors for increased production and productivity. Accordingly, there are a number of initiatives to support the private sector such as the Ministry of Agriculture and Natural Resources/ATA Private Sector Agriculture programme, which aims to promote effective engagement of private investors and corporations in Ethiopia's agricultural sector. The ultimate aim of connecting smallholder farmers with commercial market-focused supply chains is to increase incomes and improve livelihoods.

The GTP II agricultural sector plan recognises two major shortcomings of the engagement of domestic and foreign investors in the agricultural sector and associated commercialisation schemes. The first challenge is the limited number of investors engaged in the sector and the slow start-up of those who were awarded licenses. The second is associated with limited linkages with smallholder farmers (Ministry of Agriculture 2015). Estimates show that of a total of 2.3m hectares of land transferred to domestic and foreign investors up until 2015, not more than 20 percent was put under cultivation.

4.2 Role of government, private sector, cooperatives and donors

In Ethiopia, given that about 80 percent of the population is dependent on subsistence farming, promoting agricultural commercialisation calls for considerable involvement of the public, the private sector, and development partners (donors). Accordingly, the government has placed a high priority on accelerating agricultural growth through commercialisation of smallholder production since PASDEP in 2006 (MoFED 2014; 2010). However, there is a significant challenge in doing this in a country where estimates suggest there is such a low level of commercialisation. Pender and Alemu (2007) estimated the national commercialisation level in terms of proportion of production sold: 19 percent for cereal crops, 31 percent for pulses and 41 percent for oil crops. In addressing these challenges, the government's strategic interventions include: (1) investing in road and telecommunication infrastructure; (2) enhancing access and use of improved agricultural inputs to ensure household marketable surplus; (3) building farmers' production capacity through public extension services; (4) facilitating smallholder farmers' access to markets through cooperatives; and (5) developing market infrastructure such as the ECX, regulated market centres in rural areas, etc.

Considerable investment was made in these areas and positive results were obtained in enhancing farmers' access to markets and market information, evidence in an increased level of commercialisation. However, efficiency of the different public services still remains low. Access to and use of improved agricultural technologies, especially improved seed crop varieties, is still very low, though public investment through the public seed enterprises has been substantial. The contribution of farmers' cooperatives in agricultural output marketing also remains at a low level (Tanguy and Spielman 2009).

Currently, agricultural output marketing, including agricultural exports, is mainly undertaken by the private sector, which has a variety of commodity-specific business networks based in urban and rural areas linking exporters, wholesalers, retailers, brokers, village collectors and farmer traders. These networks can be grouped into three categories, based on the target commodities: export, domestic agro-industry, and domestic consumption-oriented. The export-oriented networks are somewhat formal, through the compulsory ECX trade arrangement (coffee, haricot beans, sesame). The domestic agro-industry networks are more informal, even though efforts are underway to promote trade through the ECX involving wheat and maize. The main domestic agro-industry linked commodities are malt barley, wheat (bread and durum wheat) and maize, cotton, and oil crops. The domestic consumption-related networks are for other cereals and pulses. Horticultural crops have their own traditional marketing networks. However, fruit crops are gradually becoming export commodities, generating considerable private sector interest, and the marketing system for

these crops is becoming increasingly oriented to the international market.

Development partners (donors) operating in Ethiopia have aligned their support for the agricultural sector in a bid to support commercialisation of commodities produced by smallholders. The key mechanism for their engagement has been to support government development strategies and programmes through the Rural Economic Development and Food Security Sector Working Group, which established a Multi-Donor Trust Fund in 2008 that serves as a platform for donor alignment and support. The Working Group has five technical committees: (1) the Animal Production and Marketing Technical Committee, with three task forces (Mixed Crop and Livestock, Pastoral and Agro Pastoral, and Fisheries and Aquaculture); (2) the Animal Health Technical Committee, with three task forces (Veterinary Services, Drug and Feed Quality Control, and Fisheries and Aquaculture); (3) the Agriculture Growth Technical Committee, with four task forces (Extension and Capacity Building, Private Sector Development, Research and Technology, and Agricultural Input/output and Market); (4) the Sustainable Land Management Technical Committee, with five task forces (Capacity Building, Best Practice, Agricultural Water Management, Land Administration and Use, and Climate Change); and (v) the Rural Job Creation and Food security Technical Committee, with two task forces (Food Security Coordination and Rural Job Opportunity Creation).

Efforts to ensure donor alignment and coordination are realised through concrete programmes and projects. Currently, there are five pillar programmes and projects under implementation, highlighting the crucial role of development partners in promoting agricultural commercialisation in Ethiopia. The main programme is the Agricultural Growth Programme (AGP), which is in its second phase of investment. The AGP is a multi-donor funded comprehensive programme, which was also a major component of GTP I (2010–2015) and the ongoing GTP II (2015–2020). One of its components is support for agricultural production and commercialisation through institutional strengthening, scaling-up of best practices, and market and agribusiness development targeting 96 woredas in four regions with agricultural potential (Amhara, Oromia, SNNPR and Tigray). The previous engagement of development partners was in food insecure areas with less agricultural potential. However, areas with high agricultural potential were targeted since the start of the AGP in 2010 as an integrated and aligned programme of the government and all development partners. This targeting of high-potential areas is also associated with the pull–push strategy, which took into account prospects for better commercialisation of agricultural products benefiting households in high-potential areas on the one hand, and commercialisation of factors of production, especially rural labour, for householders in areas with lower potential (Alemu and Castillo 2014).

4.3 Institutional arrangements in promoting agricultural commercialisation

The public institutional arrangement has evolved over the years with the intention of improving public services and support to promote commercialisation of Ethiopian agriculture. Given the multi-sectorial nature of agricultural commercialisation, different institutions under various ministries are currently engaged in providing support. Institutional arrangements are similarly put in place at regional level with diverse set-ups (Table 2). The evolution of new institutional arrangements is associated with the continuous institutional reforms within each ministry and across ministries. For instance, the Agricultural Investment Support Directorate of the former Ministry of Agriculture and Rural Development was later upgraded to the status of an authority accountable to the Ministry, which has now been renamed the Ministry of Agriculture and Natural Resources. Currently, another institutional reform is underway to merge the Agricultural Investment Land Administration Authority and the Ethiopian Horticulture Development Agency.

The key ministries involved in promoting agricultural commercialisation are the Ministry of Agriculture and Natural Resources, the Ministry of Livestock and Fisheries, the Ministry of Trade, Ministry of Industry, and Ministry of Public Enterprises. Each of these has different organs responsible for different support mechanisms of agricultural commercialisation.

Table 2: Public institutional arrangement in support of agricultural commercialisation in Ethiopia

Ministry	Relevant organs	Role in promoting agricultural commercialisation	Remark
Ministry of Agriculture and Natural Resources	Extension Directorate	Support to market-oriented production	Federal to woreda level set-up
	Agricultural Land Administration Authority	Promote access to land for commercial farming	The land in the national land fund is administered at federal level. The estimated size of the land fund is about 3.5m ha (2010)
	Ethiopian Horticulture Development Agency (EHDA)	Promote the commercialisation of horticultural crops	Operates at federal level with link with regional office under regional bureaus of agriculture
	Cooperatives Promotion Agency	Promote commercialisation of smallholder farmers through improved services of input and output marketing	With different responsibility, cooperative promotion offices are set up at woreda level
Ministry of Industry	Leather Industry Development Institute	Promote expansion of investment in respective industries with a link to domestic production	Operational at federal level
	Textile Industry Development Institute		
	Food, Beverage, and Pharmaceutical Industry Development Institute		
Ministry of Trade	Ethiopian Commodity Exchange Authority Ethiopian Commodity Exchange	Enhance improved access to market for all actors, mainly smallholder farmers, through cooperatives	Operates at federal level with direct connectivity in selected market centres all over the regions
	Ethiopian Trading Business Corporation (Ethiopian Trading Enterprise - Alle Bejimla), Ethiopian Grain Trade Enterprise, Ethiopian Procurement Service Enterprise and Ethiopian Fruit and Vegetables Marketing Share Company (Etfruit)	Stabilise local market through integrated business activities and full exploitation of the capacity of the enterprises	Operate at national level with branch offices of respective enterprises at regional level
Ministry of Public Enterprises	Ethiopian Agricultural Business Corporation	Manages five public enterprises that promote agricultural input and output marketing and service provision: Ethiopian Seed Enterprises, Natural Gum Processing and Marketing Enterprise, Agricultural Inputs Supply Enterprise, Agricultural Mechanisation Services Enterprise, and Agricultural Equipment Technical Service S.C.	

ATA council	Agricultural Transformation Agency (ATA)	Enhance transformation of the sector by addressing systemic bottlenecks that are beyond the capacity of regular agricultural bodies at federal and regional levels to deal with	Financed by development partners, has recently opened regional office to address regional-specific issues

Source: Authors' own summary

5 STATUS OF COMMERCIALISATION OF SMALLHOLDER AGRICULTURAL PRODUCTION

This section explores the state of commercialisation by looking at two smallholder agricultural products: malt barley and teff. The case of malt barley indicates the opportunities and challenges of promoting domestic agro-industries linked with the quest for ensuring smallholder commercialisation mainly through contract farming. On the other land, the teff case demonstrates the importance of teff for smallholder farming and the status of its commercialisation, together with the challenges.

5.1 Commercialisation of malt barley in West Arsi and Arsi zones of Oromia

In Ethiopia, food and malt barley are grown side-by-side, sharing similar agro-ecologies. While food barley is produced mainly for subsistence consumption by rural farming communities, malt barley is largely a commercial crop produced for industrial malt production.

The main actors in the production of the malt barley value chain are smallholder farmers, primary cooperatives and their unions, local collectors and traders, and the Assela and Dashen malt factories. Due to the need to meet demands for this product (estimated at about 107,100 tons/year), breweries are showing growing interest to engage in the purchase of grain malt. Linked with the increased demand for malt associated with the expansion of breweries, the number and composition of actors in the malt barley value chain is increasing over time at national level.

The same situation is observed in Arsi and West Arsi zones of Oromia region, one of the major malt production belts in the country. In this regard, there are emerging trends in the malt sector, related to (1) the expansion and establishment of new malt factories to capture the emerging market opportunities; (2) increased interest of breweries for vertical integration to ensure domestic sourcing of required inputs in the form of malt barley; (3) sourcing of malt from own malt factory and independent malt factories; (4) increased role of contract arrangements in the production of malt barley and malt; and (5) increased competition for malt and malt barley (Self Help Africa 2014).

Given the commercial orientation of malt barley, the commercialisation level of smallholder malt barley producers in terms of the share of production sold at household level is estimated at 64 percent (Table 3).

The role of contract farming and associated engagement of farmers' cooperatives and traders as value chain actors indicates that much of the trade in malt barley grain has been undertaken by local traders due to the considerable side-selling activities by farmers. This is partly driven by staggering contract arrangements between farmers, primary cooperatives, unions, and contract providers (malt factories and breweries). As indicated in Table 3, only 31.4 percent of malt barley producers with contract arrangement were able to deliver products as per the terms and conditions of contract, while about 29 percent of the farmers were fully engaged in side-selling. In general, contract providers engage with either unions or primary cooperatives and, in turn, unions enter into contractual deals with respective members of their primary cooperatives. Primary cooperatives then enter into contract-basis production with their member farmers.

The key lessons and challenges including available improvement options in promoting a contract-based malt barley value chain that could ensure better and more sustainable benefits for smallholder producers include the following.

1. **Boosting production and productivity:** Given the considerable number of farmers who are not engaged in the sale of malt barley (13.2 percent) and the low level of productivity, contract arrangements need to consider improving access to quality seed of malt barley varieties.

2. **Addressing the 'free rider' problem:** This is the main challenge identified affecting contract enforcement, which requires promotion of wider stakeholders' engagement and whole malt barley value chain empowerment. This calls for promoting the direct engagement of local traders who often are the major 'free riders'. Local traders can be proactively engaged by inducing them to enter into contractual arrangements that force them to partner with farmers by facilitating technical backstopping and input delivery.

Table 3: Market seasons and engagement of cooperative member farmers in side-selling (2014/15 production season)

Engagement in side-selling	Market seasons			Total (%)
	Not engaged in any market season (%)	Engaged only in one market season (%)	Engaged in more than one market season (%)	
No sale in all market seasons	13.2	-	-	13.2
Fully engaged in side-selling	-	21.5	7.4	28.9
Partly engaged in side-selling	-	5.8	20.7	26.4
Not engaged in side-selling	-	25.6	5.8	31.4
Total	13.2	52.9	33.9	100.0

Source: Self Help Africa (2016)

3. **Promoting independent quality assessment for pricing:** This is an area where misconduct can occur by both contract providers and/or contract takers. Thus, it is important to promote independent and credible quality standard assessment mechanisms. Often, this type of engagement is left to the public sector. However, triangulation is also a crucial factor and hence it is suggested that public service providers need to determine standard and quality of products, as in the case of coffee. In addition, it is important to build the capacity of unions to enable them to set standards so as to allow them to buy products from individual farmers by considering their quality standard. This should also be the same for breweries and for the Assela malt factory. Anywhere in the line of engagement, misidentification of quality and standards provides considerable incentive for the assessor. In addition, it is important to strengthen and follow a fair and trustworthy price determination approach that is compatible with the prevailing market rate.

4. **Buying at times and places that are convenient to producers:** It is important for cooperatives to make sure that they undertake purchases during times and at places that are convenient to the farmers, enabling cooperatives to compete with other market actors, especially local traders.

5. **Strengthening the physical and human resource capacity of cooperatives:** This is a universal challenge faced by cooperatives worldwide but is much more problematic for cooperatives that deal with contract farming. Thus, it is important to ensure strong management of cooperatives by professionals, with attractive incentives. In addition, promotion of access to required facilities (mainly standard warehouses with associated management capabilities) could be a crucial strategic intervention.

6. **Ensuring smooth market relations between primary cooperatives and their unions:** The smooth relationship between primary cooperatives and unions is very crucial for effective implementation of contracts. Thus, it is important to facilitate a clear delineation of roles and responsibilities between them.

7. **Capacitating cooperatives and unions to enable them to engage in value addition:** Currently, cooperatives and their unions are engaged in limited value addition, especially in areas that facilitate contract marketing like grading and standard-setting and packaging. Cooperatives and their unions should invest in building their capacity so as to be able to add value on what their members produce.

With increased business potential in breweries, diverse actors are engaged in the sector mainly through investment in new breweries and/or purchase of former public breweries that are then modernised. In general, there are three main categories of investors in the brewery industry: multinationals (Heineken and Diageo), endowments (which are political party affiliated), and pure share companies. In the process, the main target of policymakers in the sector is modernisation of the industry, which can compete internationally to ultimately become an industry that can generate foreign currency. In addition, it is recognised that the country is endowed with huge potential for quality malt barley production, which can provide an option for smallholder farmers. In this regard, a number of public initiatives are underway to ensure domestic production of malt barley. This is becoming more important in recent years, linked with the considerable shortage of foreign currency and public rationing of available foreign currency.

5.2 Commercialisation of teff produced on smallholder farms

Teff is the most important cereal crop in Ethiopia, both in terms of production and consumption. As the most preferred staple food among better-off households, especially in urban areas, teff fetches a relatively higher price, which makes it an attractive cash crop for farmers. Compared to other cereals, teff is relatively resistant to many biotic and abiotic stresses and can be grown under different agro-ecological conditions, ranging from the lowlands to the highlands. Teff can also be stored for many years without being seriously damaged by common storage insect pests. In recent years, teff has been internationalised and has become an export commodity, given its nutrition value, thereby boosting its level of commercialisation beyond the domestic market.

Estimates from a 2007 study indicate that teff producers sold on average about 24 percent of their total production, with considerable variation among regions, ranging from a high of 49 percent in the Southern region to about 8 percent in Tigray (Pender and Alemu 2007). With an average productivity level of only 1.3 tons per hectare, teff yield is the lowest among cereal crops, owing mainly to the limited use of improved seeds, inefficient agronomic practices and fragmented farm plots (Assefa, Demeke and Lanos 2015). The CSA (2016) estimated that on average, 28.11 percent of all teff produced at household level was sold. This shows a slight increase in the extent of teff commercialisation, though its level remains low.

Given the importance of teff in domestic consumption, the government banned exports of it (including teff flour) in 2006. However, in 2015, teff flour export was allowed, together with controlled export of teff grain, through 48 farms licensed to produce for export. The ban on exports was put in place to control domestic price hikes, which left farmers tied to local consumers, thus limiting their contribution to growing demand abroad.

Trade in teff operates through local markets and diverse actors comprising local assemblers, wholesalers, retailers, millers and, in recent years, teff bread (enjera) makers. Though the government wanted to include teff in ECX trade, this has not yet happened due to the challenges in setting up standard grades for determining quality. Nevertheless, teff is one of the commodities where quality of the variety is established on the basis of grain colour and size and by the location where it is produced.

Linked with public support in agricultural research and development (R&D), teff has been considered a priority crop with considerable public investment in its R&D. However, national productivity levels of teff still remain low, though there is a slight increase over time (average yield reached 1.66 tons/ha in 2016) along with a low level of commercialisation among smallholder farmers. This has limited the extent to which the potential of teff as an export commodity can be realised, especially since its globalisation.

6 STRUCTURAL IMPEDIMENTS SURROUNDING PATHWAYS IN AGRICULTURAL COMMERCIALISATION

The challenges surrounding the pathways in agricultural input and output commercialisation are related to the need to: (1) boost production and productivity that ensures household-level marketable surplus; (2) invest in support services and infrastructure; (3) promote product aggregation to enhance smallholder commercialisation; (4) ensure inclusiveness of agricultural commercialisation; (5) effect linkages between areas with less potential (food insecure) and high potential (pull–push model); and (6) put in place appropriate incentives and policies that facilitate the commercialisation process.

6.1 Ensuring a marketable surplus at household level

Linked with population growth and associated decline in farm size, there is a challenge militating against possibilities for achieving optimal production with marketable surplus at household level. This directly entails reduced prospects of commercialisation. It is thus important to ensure intensification of the production system together with creation of opportunities for involvement in off-farm and non-farm activities.

6.2 Investment in support services and infrastructure

Agricultural commercialisation requires the availability of basic support services and infrastructure. Though there has been considerable investment in the country, the limited availability of support services and infrastructure is impeding the commercialisation process. Much-needed core support services include relevant and efficient extension services to smallholder producers and small, medium and large-scale commercial farmers, access to financial services, and provision of market information on agricultural inputs and outputs. Required infrastructure for enhancing agricultural commercialisation is related to general public investments in roads, electricity and telecommunications, especially in areas with high agricultural potential but limited infrastructure.

6.3 Product aggregation to enhance commercialisation of smallholders' products

Ensuring product aggregation is crucial for commercialisation of products of smallholder farmers as it creates economy of scale and associated advantages. The key policy measure in Ethiopia to ensure product aggregation for enhancing commercialisation is the promotion of farmers' marketing cooperatives. In this regard, there has been substantial support to ensure the establishment of at least one cooperative in each kebele. However, empirical evidence shows that the role of cooperatives in promoting commercialisation of smallholders' products is still minimal. The evidence shows that compared to non-members, cooperative members on average do not supply the market with a greater portion of their output; this implies that under existing conditions, cooperative membership does not necessarily lead to a statistically detectable increase in output commercialisation (Tanguy, Taffesse and Gabre-Madhin 2008). This is also well recognised by policymakers. The new GTP II (2015–2020) lists the measures needed to redress this situation, including: (1) enhancing the capacity of cooperative societies and transforming them into market-oriented entities; (2) developing mechanisms to ensure cooperatives' access to finance and encourage them to engage in output marketing and value addition; and (3) expanding cooperatives' capacity in infrastructure development so as to enhance product aggregation (Ministry of Agriculture 2015).

6.4 Inclusiveness of agricultural commercialisation and the pull–push model

Inclusiveness in promoting agricultural commercialisation is about how different groups of farmers benefit from the services provided and how they participate in membership and/or governance issues, including whether farmers in different agro-ecological areas are covered.

In considering the inclusiveness of agricultural marketing cooperatives, it is important to take into account the three dimensions of involving all individuals

in the locality irrespective of their membership status, sharing of benefits resulting from the activities of the organisation, and the extent to which participatory decision making is conducted within the organisation. Tanguy and Spielman (2009) present evidence that there is a problem of inclusiveness where the poorest people tend to be excluded from membership of marketing cooperatives in Ethiopia. In addition, the role of cooperatives in agricultural output marketing for the benefit of their respective members is highly marginal (Alemu et al. 2011). Hence enhancing the role of cooperatives in an inclusive manner to ensure better agricultural commercialisation of smallholder farmers poses a formidable challenge.

Given the enormous agro-ecological diversity of the country, a push–pull model has been promoted by projects supported by both government and development partners. The push–pull approach is basically a simultaneous promotion of market development (the pull) synergised with increasing production (the push). The hypothesis is also implicit in Ethiopia's ADLI strategy, which is consistent with the rationale that agriculture forms the initial foundation for ensuring economic growth via a market-driven approach (Alemu and Castillo 2014). However, due to Ethiopia's decentralised governance arrangement and the low level of market infrastructure, the pull–push model has not yet proved fruitful. In the western lowland areas, where there are a considerable number of commercial farms, the key challenge is availability of labour, whereas rural joblessness is one of the main challenges in the central highlands.

6.5 Institutional arrangements to facilitate the commercialisation process

In order to enhance the level of agricultural commercialisation, key institutional arrangements for facilitating efforts to this end are crucial, especially for promoting commercialisation of smallholder farmers' products. In this regard, enhancement of contract farming and out-grower schemes, improving the role of agricultural marketing cooperatives through improved governance structure, and promoting the national agricultural marketing system face key challenges that call for due attention in addressing them.

Contract farming and out-grower schemes have been widely recognised by policymakers as a strategic approach with the potential for linking smallholder farmers to domestic and export markets, thereby addressing the major challenges facing agricultural transformation efforts in developing countries like Ethiopia. However, despite its potential, the experience of contract farming in Ethiopia remains highly limited, which consequently inhibits the capacity of those concerned with framing appropriate policies and binding legislation that could support contract farming arrangements (United States Agency for International Development (USAID) 2012). On the other hand, Ethiopia's limited experience with contract farming indicates that better performance is observed if there is a collective contractual arrangement through cooperatives rather than with individual smallholder farmers. This implies that cooperatives could play an important role in facilitating better institutional arrangements for contract farming that can ensure smallholder farmers' access to stronger markets. However, mainly due to the challenges surrounding governance and limited marketing capacity, cooperatives' role in this regard remains very limited (Alemu, Kelemu and Lakew 2014).

Though there is variation from commodity to commodity, the performance of agricultural markets in Ethiopia is gradually improving in terms of increased market integration and lower production costs and margins of trade (Rashid and Negassa 2011). This is associated with gradual betterment in market infrastructure like roads and telecommunications, including ECX. However, a number of studies have documented that producers' share from consumer prices is still very low, expressed in providing limited incentive to farmers to participate in markets. This is linked with the prevailing market arrangements.

7 CONCLUSION AND THE WAY FORWARD

The political economy of agricultural commercialisation in Ethiopia is examined by considering the overall political importance of agriculture and the associated public sector involvement through policies and regulations that framed the discourses and engagement of the different actors (public, private and development partners) involved in commercialisation. With the change of regimes, there have been a number of shifts in approaches and mechanisms employed to promote the sector. However, under the three successive regimes, a focus on smallholder production was not totally lacking. While the record of the military regime was minimal compared to that of imperial rule, the emphasis given to smallholder farmers during the EPRDF's reign is much greater.

A similar pattern was observed in terms of agricultural commercialisation. The current government has put in place a number of strategies and programmes to promote commercialisation of smallholder farmers' products. These include: (1) providing better access to agricultural technologies and associated services (research, extension, markets, etc.); (2) encouraging group action through farmers' cooperatives; (3) lending support to commercial farming with backward linkages to smallholder agriculture; and (4) promoting integrated approaches through agricultural commercialisation clusters and establishing agro-industry parks. In these efforts, the role of private actors and development partners is also duly recognised.

However, despite all these efforts, commercialisation of smallholder farmers' products is still at a low level, though smallholder farmers' contribution to national agricultural production remains dominant. The case studies show that, even in commodities such as malt barley – which is considered a cash crop and for which the country is endowed with suitable agro-ecology and production conditions – the commercialisation level is modest; the low level of total marketed supply forces the country to import malt barley for its growing brewery industry. The most important challenges and opportunities for future success in promoting commercialisation of smallholders' products need to be addressed, giving consideration to the following questions.

- What has been the role of commercial farming for improved commercialisation of smallholder farmers? Is the promotion of commercial farming as per the strategic direction boosting the commercialisation of smallholder farmers? Does it promote better access to technologies, ensure skill and knowledge transfer, and facilitate better access to markets?
- Is the highly sought-after technology and knowledge transfer along with boosting agricultural export through foreign investment in the agricultural sector being achieved?
- Why is it that the role of cooperatives in promoting smallholders' commercialisation remains marginal, despite the substantial public support designed to enhance market innovations, such as putting in place ECX arrangements?
- Can the new initiative pertaining to the promotion of the agricultural commercialisation cluster approach and the establishment of agro-industry parks strengthen commercialisation of smallholder farmers' products and, if not, what measures are required to ameliorate the situation?
- What are the challenges and opportunities associated with the scheme of decentralising governance in terms of promoting smallholders' product commercialisation? Are there success stories that are worthy of mention?

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1. While data for the period between 1980and 2010 is elicited from ReSAKSS (www.resakss.org), figures for the latter years are obtained from the various Ministry of Finance and Economic Cooperation sources.

2. At a later stage, large-scale production of cereals, pulses, fruits and vegetables took place.

3. The average farm size in highland Ethiopia is now estimated to be less than 1 hectare, thus rendering agricultural production extremely inefficient and uneconomical.

4. Several studies have documented that the performance of the Ethiopian economy in general and that of the agricultural sector in particular are largely dependent on rainfall and climatic conditions.

5. These included private banks and insurance companies, among others.

6. This refers to the ruling ethno-regional parties in Afar, Benishangul-Gumuz, Gambella, Harari, and Somali, which are allied to the EPRDF.

7. These include the Amhara, Oromia, Southern, and Tigray regional states.

8. Each smallholder cultivates up to 5 crops dividing his/her plot into parcels as a diversification strategy. That means nationally, there are at least 65 million parcels (13m x 5) operated by smallholders, rendering Ethiopian smallholder agriculture highly complex in terms of providing research and extension support.

9. Headey et al. (2013) report that 55 percent of smallholders, largely comprising young farmers, cultivate less than a hectare each. According to Rahmato (2008), more than 37 percent of Ethiopian smallholders have <=0.5 ha; nearly two-thirds have <=1.0 ha and 87 percent have < 2.0 ha. The author is often quoted as describing these plots as 'starvation plots'. He estimates that under rain-fed agriculture, a household needs a minimum of 2.5 ha to produce enough for subsistence.

10. Ethiopian Revenues and Customs Authority (ERCA) data accessed from www.erca.gov.et (6 November 2016).

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