Summary of Commercialisations Workshop

Consultation with Future Agricultures Commercialisation in Ethiopia (FACE) team
Addis Ababa Feb 9th-10th 2007

Participants: Samuel Gebreselassie, Kay Sharp, Eva Ludi, Jennifer Leavy, Hailemariam Tefera

Programme for 9th-10th February 2007

1. Discuss Samuel's background work and surveys: findings, issues and questions
2. Identify key gaps that need to be addressed by (i) further data analysis and (ii) qualitative fieldwork or interviews.
3. Jen's framework/ typology for the thematic work on commercialisation – discuss how the framework can support or shape the Ethiopia work.
4. Agree next steps, including the design (content, focus, methods) of the proposed qualitative work to follow up the surveys in the teff and coffee areas.
5. FACE team: Review the remaining phases and agree overall workplan, including:
    - Specifying the outputs and who will do what, when
    - Deciding what we can realistically do about the flower sector.

Friday 9th February 2007

1. Samuel's outputs.

As well as producing a draft background paper, Samuel is working on two papers based on field data (household surveys) addressing various issues of commercialisations in different study areas, one focusing on teff, the other on coffee. The aim of the papers is to establish the scale of commercialisation and importance of trade in farmers' livelihoods, as well as the relationship between commercialisation and farm resources such as land and labour. He also intends to examine the relationship between farmer and/or household characteristics, for example females, young people etc, and equality of access to commercialisation

The discussion of Samuel's work began with his draft teff report as this is where he has made most progress so far. We discussed farmer specialisation in teff, the definition Samuel used for this in his analysis, and how does specialisation in production of a crop relate to specialisation in commercialisation. We went on to explore how the level of livelihood diversification relates to the level of commercialisation. Will Samuel's data also allow us to look at off-farm diversification?

In terms of Samuel's quantitative analysis the measure of commercialisation in teff is given as the percentage of the total value of all crops grown that are sold, with definitions for different levels of commercialisation, based on the literature, as follows[1]:

- Highly commercialised: farmers selling over 80 per cent of output (all crops)
- Less commercialised: farmers selling 30 per cent of their crops or less, including those selling zero
- Medium: those selling between 30 and 80 per cent of the total value of their output

This middle group of farmers is the largest, 56 per cent of farmers fall within this category [JL CHECK FIGURE]. The sample appears to follow a normal distribution across these categories.

[1] The analysis examines how the household is commercialised in relation to crops and *not* in relation to other activities

Samuel's analysis is based on a logit model with farmers considered as being 'more' or 'less' commercialised. We discussed alternative specifications, and Samuel will try an ordered probit to see if there are any differences across the three categories outlined above.

Other econometric issues discussed include endogeneity, and in particular reverse causality, for example between area of land farmed and level of commercialisation. Are farmers selling more output because they farm more land or are they farming more land subsequent to participating more in markets? We agreed to try to pick up extra information during qualitative fieldwork that might help to inform on the likely direction of causality. However, it is likely that these relationships form a virtuous circle, with positive (and on the flip-side, negative) feedback loops. It was also suggested that we might want to examine heterogeneity within the middle group.

Interesting empirical and methodological issues, raised by Samuel's work so far, that are important for feeding into the typology/ framework paper include:

- When production increases, household consumption also increases too (in terms of value), and the rate of increase of the latter is proportionately more. Possible interpretation/ reason: Successful households attract more people. However, this dynamic decreases the commercialisation level, so intuitively this would suggest that the definition of commercialisation does not quite hit the mark.
- How to deal with households growing and selling all the teff they grow because they get a good price for it, and for food they buy cheaper grain, barley and other food crops. Where would you put this in terms of commercialisation?
- Whether a farmer is commercialised or not (especially in a specific crop) – is not really the question – but degree and terms of engagement in market are what's important at the household level.
- What factors are important for pushing level of commercialisation? These will differ by crop – teff and coffee for example will be different.

We also discussed specialisation and diversification of farmers, how to give a sense of degree of market orientation rather than commercialisation, and institutional aspects of this. How do the coffee and teff studies fit with taking a broad crop system approach, as discussed in previous commercialisations meetings? One way to achieve this could be to focus on the household and pick out specific commodities.

In terms of Samuel's data it was agreed that it would be helpful for examining diversification in the households surveyed to have an extra category of activities for livestock etc (even though, as Samuel pointed out, the areas surveyed are not known for livestock production) and make sure there are further variables for anything not covered by crop production/ non farm etc. Other unresolved data issues include investigating further implausible findings – more data cleaning might be needed.

Samuel's dataset is very rich, with a lot of opportunity for exploring many interesting relationships.

2. Framework Paper

We discussed the draft of the typology paper. The framework takes a broad value chain approach, and we situated the Ethiopia commercialisations work against this. This will essentially unpack the smallholder farmer 'box' – enabling us to go some way towards revealing how smallholder farmers – and different sub-categories of smallholder farmers - link into the broader marketing chain for their produce, including domestic and export markets. Specifically we are interested in what are the different pathways to commercialisation available to farmers and are there other routes to the market that might be neglected by typical supply chains. Once agricultural and other policies are fed through these chains it should be possible to see which of them reach farmers, and in what ways. In terms of linking commercialisations to poverty reduction labour markets are an important underlying mechanism which will be explored in a later paper/section.

The FACE team agreed that a framework would be more useful for them in thinking about commercialisations and the degree to which farmers are engaged in markets, rather than a typology. It was felt that a typology as such would imply ascribing uniform characteristics to so-called commercialised and non-commercialised farmers along dichotomous scales for each feature of being commercialised e.g. use of purchased inputs, proportion of crops sold, use of hired labour etc. How these factors would signify commercialisation would differ according to context/ crop.

The discussion of the framework/ typology paper and how it might guide the qualitative fieldwork led naturally into brainstorming what the important issues might be for the forthcoming fieldwork in teff and coffee-growing areas.

3. Brainstorming

The brainstorming session focused on listing the important issues in exploring farmer involvement in markets for teff and coffee, which were subsequently prioritised. These were informed by further background information from Samuel.

Main issues	**Important but limited or no scope for in-depth exploration at this stage**	**Secondary issues (which are also likely to arise out of the main issues)**
Labour Use Employment opportunities - quality - reliability - seasonality Intermediaries (getting outputs to mkts, inputs, labour) - who has access to which - how (term of engagement) - constraints Farmers Organisations, cooperatives and unions Causality Changes over time (about 10 years) Aspirations for future Age - life cycle - generational “Profit motives” – why participating in markets? Raising income/ accumulation of assets/ improving livelihoods. Constraints to increased market participation (also motivation to increase market participation)	Agroprocessing ⚐ - returns - value chains - environmental impacts - employment Diversification/ specialisation. Risk/ Insurance. Food Security ⚐	Gender (employment etc) Market hierarchy - local-national-export Credit (market) - traders - cooperative (inputs) - micro-credit - government Access to technology, extension Access to: - information - infrastructure - markets - roads - telecoms - water/ irrigation Importance of farming - employment - income Inputs What is cash used for? Reasons for selling crops → ‘hierarchy’ of markets Education/ Training/ Access to Knowledge Land

⚐ flagged up for exploring later.

Feb 10th 2007. FACE Meeting

Present: Kay, Eva, Samuel, Hailemariam, Jen

The second day of workshop focused on fieldwork planning and workplans for the FACE team.

Fieldwork Methods:

Because the team would be dividing for the fieldwork with Eva focusing on coffee-growing areas and Kay on Teff, we spent time agreeing the fieldwork instruments and questions so the studies would be as comparable as possible.
The main instruments were identified as focus group discussion and semi-structured interviews, with some seasonal calendars where appropriate.

The main categories of people for focus group discussions are:

- Workers
- Traders
- Young men
- Young women
- Experienced/ older farmers
- Female heads of households who are farming

Semi-structured interviews would also be conducted with:

- PA Leaders
- Elders
- Woreda Experts
- Input suppliers and cooperatives

In addition, people would be singled out for case-study type interviews. In particular it was felt that it would be interesting to talk to some farmers about their story – what path led them to be a more commercialised farmer. This might help with unpacking directions of causality – we have some idea from the survey data of the important relationships when it comes to participating in markets but not the direction.

February 11th-13th 2007 Fieldwork outside Dukem (near Debre-Zeit, Ada'a, Oromiya Region)

Two blocks of fieldwork took place simultaneously; two and a half days were spent in a teff farming community Tadecha Yatu, just outside Dukem near Debre Zeit in Ada'a (Oromiya region), while Eva worked with coffee producers in Goma Wereda for one day and interviews with coffee experts and traders in Agaro and Yebo towns. A synthesis paper will follow that draws on quantitative and qualitative analysis from both the teff and coffee farming communities, co-authored by Samuel, Kay and Eva.

<u>Emerging themes:</u>

Some themes have already emerged from both the quantitative and qualitative research that are either consistent with patterns found elsewhere or are useful for helping to shape the framework paper and inform the commercialisations 'typology'. See forthcoming synthesis paper for details:

1. There is a dynamic labour exchange related to commercialised agriculture – this both grows out of market participation and feeds into it. There can be a strong demand for farm labour in commercialised areas, including internal (in-coming) migrant labour as well as local labourers. Labour is engaged under different, co-existing, contractual arrangements, on both group and individual bases, with payments made both in cash and in-kind. Farm labour tends to be seasonal and, for workers, can be complemented with non-farm labour opportunities. Farmers, however, and particularly female headed households due in part to gendered farm tasks, do face labour constraints and bottlenecks.

2. Different pathways to commercialisation for farmers appear to be consistent with those found in studies of smallholder farmers elsewhere:
    - Small-scale non-commercial farmers – might sell some produce but do not or can not make their entire living from farming.
    - Small-scale commercial farmers – tend to have always been market-oriented and make a living from selling their output.
    - Emerging commercial farmers – small-scale investors, often farming as a secondary activity.
    - Large-scale 'business' farming.
3. In line with in Mozambique (Heltberg, 2002) and Zambia (Leavy, 2007, forthcoming), among others, the data suggest that commercialised grain crop farmers, at the smallholder level at least, seem more likely to be diversified in terms of grain crops grown and sold, rather than specialised in one or few crops. As well as obvious implications for livelihoods, this is also important conceptually for definitions of commercialisation. In areas where coffee is grown and sold, the relation between commercialisation and diversification seem to be less straight forward. Coffee is essentially a crop sold, and amounts of coffee retained for home consumption are very little. Depending on the amount of land – especially land suitable for growing grain crop – coffee growers can be almost entirely specialised.
4. Given their prominence in the lives of smallholder farmers, it is important to consider the role of cooperatives and unions in overall governance of the value chain. In terms of dynamics of commercialisations, as these institutions grow and develop, they are creating new power systems that affect opportunities and incentives for both smallholder farmers and intermediaries such as traders and input suppliers.
5. Coordination in finance/credit and input supply is important.

<u>Next steps for typology paper:</u>

The paper will be modified to incorporate feedback from the Ethiopia workshop and fieldwork, circulated for comment and then taken to Malawi for similar consultation. The emerging themes highlighted above will be further explored and expanded in the FACE synthesis paper.

Jennifer Leavy
19 February 2007