



Road, agriculture and welfare survey in Alefa, North Gondar

NEW ESSP II Publications:

- Maria Quattri, Adam Ozanne, and Seneshaw Tamiru Beyene. 2012. **The Brokerage Institution and the Development of Agricultural Markets: New Evidence from Ethiopia.** ESSP II Working Paper 36.
- Alemayehu Seyoum Taffesse, Paul Dorosh, and Sinafikeh Asrat. 2012. **Crop Production in Ethiopia: Regional Patterns and Trends.** ESSP II Research Note 11.
- David J. Spielman, Dawit Kelemework, and Dawit Alemu. 2012. **Seed, Fertilizer, and Agricultural Extension in Ethiopia.** ESSP II Research Note 12.

Capacity Building:

Introduction to GIS: regional level trainings were given in Amhara region (March 23-26, 2012) for 52 participants.

Workshop on CGE Modeling. March 21, 2012. Intensive discussion between staff of EDRI and ESSP II on CGE Modeling.

IFPRI – ESSP II and EDRI Small Research Grants:

In order to increase the national capacity to conduct policy-relevant economic research, ESSP II resources are utilized to fund for the second time a small research grants scheme.

The 29 candidates (3 PhD and 26 MA/MSc students) have received the first instalment of their grant. IFPRI/EDRI will release the second instalment upon receipt of a report on their field work.

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<http://essp.ifpri.info/>

Upcoming Events!

- A workshop on 'Roads, Agriculture, and Welfare in Ethiopia' will be held in the third week of June by ESSP II in collaboration with EDRI.
- EDRI, ESSP II, and ASARECA will organize a half-day workshop on "Food Price Dynamics and Its Policy Implications in Ethiopia" on Thursday, May 24th, 2012 at the Ghion Hotel, Addis Ababa.
- The Tenth International Conference on the Ethiopian Economy will be held on July 19-21, 2012 at the Ethiopian Economic Association in collaboration with IFPRI/ESSP II.

Highlights of presentations in March – April, 2012:

Roads, Agriculture and Welfare: Evidence from a Quasi-Experimental Setting in Rural Ethiopia. David Stifel. EDRI. March 15, 2012. David Stifel, Bart Minten, Bethlehem Koro. CSAE Conference, University of Oxford. March 19, 2012. David Stifel. Symposium on Ultra-Poverty, Institute for International Economic Policy. March 22, 2012.

- Benefit to most remote households is about 60% of households' consumption.
- Costs of feeder road construction is recovered in 3 years.

Aspirations, Psychosocial Outcomes, and Saving in Rural Ethiopia. Kate Orkin and Alemayehu Seyoum Taffesse. CSAE Conference, University of Oxford. March 18, 2012.

- Men and literate people have higher aspirations on our measure.
- The experiment (watching documentary) had: no direct impact on aspirations; impact on beliefs about the causes of poverty; and impact on savings, use of saving accounts, and hypothetical loans.

What has Economics to say about Institutions for Growth? Alemayehu Seyoum Taffesse. CSAE Conference, University of Oxford. March 18, 2012.

- Building well-functioning organizations is vital to bring about institutional change. Such organizations generate/provide the knowledge (information), induce the attention, and enable the coordination necessary for such change.

Urban Wage Behavior during Food Price Hikes: The case of Ethiopia. Derek Headey,

Fantu Bachewe, Ibrahim Worku, Mekdim Dereje, and Alemayehu Seyoum Taffesse. CSAE Conference, University of Oxford. March 19, 2012. Derek Headey. AAU, School of Economics, April 27, 2012.

- Casual workers in urban Ethiopia have been hit hard by rapid food inflation, particularly the ultra-poor: 10-20% loss of disposable income.
- 2011 crisis (still ongoing) seems worse than 2008 crisis.

Enhancing Resilience and Promoting Development in the Horn of Africa – An

Exploration into Alternative Investment Options. Derek Headey, Alemayehu Seyoum Taffesse, Liang You. CSAE Conference, University of Oxford. March 19, 2012.

- Pastoralism has significant advantages, but major risks.
- Resilience of pastoralists and 'Arid and Semi-Arid Landscapes' populations will also require some pastoralists to exit, ideally into urban livelihoods and irrigation.
- Education and infrastructure are most likely the big ticket cross-cutting investments, but innovative service delivery will be key.

Formation of Aspirations – An Empirical Analysis. Tanguy Bernard, Stefan Dercon, Fanaye Tadesse, Alemayehu S. Taffesse, and Ibrahim Worku. CSAE Conference, University of Oxford. March 20, 2012. Alemayehu S. Taffesse. AAU, School of Economics. April 20, 2012.

- A simple formulation of aspiration formation is tested using a panel data collected from Ethiopian rural households. The key finding suggest that individuals from poorer households have lower wealth aspirations.

Urbanization and Fertility Rates in Ethiopia. Fanaye Tadesse and Derek Headey. CSAE Conference, University of Oxford. March 20, 2012.

- Why is the rural-urban fertility gap so large (6 children in rural areas; 2.4 children in urban areas) in Ethiopia?
- Wealth, by itself, does not seem to matter much. Policy-relevant findings are related to female secondary education, age at marriage, and raising awareness of family planning goals and technologies.

Impact of Sustainable Land and Watershed Management (SLWM) Practices in the Blue Nile. Emily Schmidt and Fanaye Tadesse. CSAE Conference, University of Oxford. March 20, 2012.

- Farmers that sustain SLWM experience higher value of production in the medium term; significant benefits are not experienced until after 7 years of maintenance.
- The longer one sustains SLWM, the higher the marginal effect, although benefits of investment in SLWM at the private farm-plot level may not outweigh the opportunity costs of non-farm labor.

Do informal risk-sharing groups reduce the challenge of providing weather indexed

insurance products? Evidence from a randomized field experiment in Ethiopia. Guush Berhane, Daniel Clarke, Stefan Dercon, Ruth Vargas Hill, and Alemayehu Seyoum Taffesse. The 2012 Research Conference on Micro-insurance, University of Twente, The Netherlands. April 11, 2012.

- Weather indexed crop insurance offers substantial potentials of minimizing weather effects, mainly recurrent droughts that hit poor countries like Ethiopia. However, indexes based on information from local weather stations do not seem to predict the situation on specific farmer plots well—called basis risk. A three year IFPRI study that pilots (rainfall) crop insurance with farmers in three woredas of Oromia region tackles this problem.
- Early results from the randomized field experiment (piloting) show that informal risk-sharing groups, such as Iddirs, can be exploited to help reduce basis risk. Iddirs can be encouraged to make payouts to members in the event of individual household specific crop losses, addressing part of the basis risk.

Find the above presentations on slideshare: <http://www.slideshare.net/essp2/presentations>



Ethiopia Strategy Support Program II

Research Initiatives 2012:

- Agricultural Productivity: Performance and Constraints
- Determination of Food Prices
- Determinants of Adoption and Impacts of Sustainable Land/Watershed Management
- Dynamic Implications of Production Shocks and Policy on Livestock Markets and Household Welfare: A Sectoral and Economywide Analysis
- Aspirations, Risk and Household Investment Behavior
- Agricultural Growth Program (AGP) Impact Evaluation
- Accelerating Agricultural Market Transformation in Ethiopia: Processes, Potentials, and Challenges
- The Teff Value Chain
- Understanding and Improving Agricultural Extension Service Delivery in Ethiopia

Capacity Building Initiatives 2012:

- **Ethiopian Development Research Institute (EDRI)**
 - Support to EDRI SAM/CGE Analysis
 - Support to short-term policy analysis on cereal markets, inflation, and economic growth
 - Joint seminar series
- **Central Statistical Agency (CSA)**
 - Support to GIS analysis
 - Federal and regional GIS training
 - Strengthening of data dissemination through REKSS
- **Ministry of Agriculture (MoA)**
 - Support to agricultural and food security policy analysis
 - Creation of operational agricultural policy data base
 - Training on agricultural policy analysis

Policy Related Analysis:

Structural transformation in Ethiopia: Evidence from cereal markets by Bart Minten, David Stifel, and Seneshaw Tamiru.

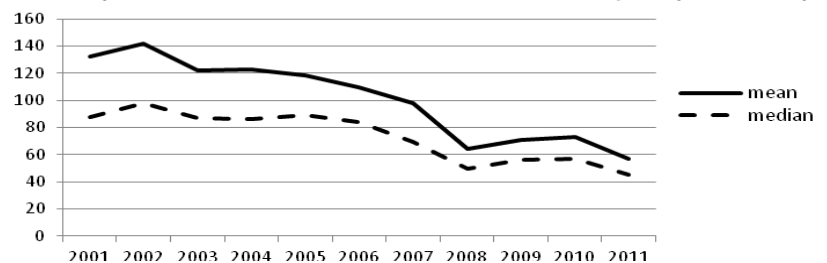
Presentation given by Bart Minten at Addis Ababa University. April 06, 2012.

- Food prices and market functioning are of large interest in developing countries, especially since the global food crisis.
- Cereal market transformation and cereal price formation are important topics in Ethiopia as cereals form about three-quarters of area planted and half of consumer expenditures and as the Ethiopian government wants to stimulate market transformation.

Findings:

- There are five important drivers for structural changes in the cereal economy in Ethiopia in the last decade:
 - 1) Fast economic growth, leading to income changes and consequent food demand changes: higher incomes are associated with larger quantities consumed as well as change in the type of cereals consumed (e.g. teff is mostly eaten by richer consumers and maize by poorer ones).
 - 2) Urbanization (+44%), larger rural-urban food flows, and an increase in cereal commercial surplus (+117%).
 - 3) Improved roads have led to a significant drop in transportation costs between wholesale markets (dropped to half the costs of ten years ago).

Real transportation costs between cereal wholesale markets (2011 prices; birr/quintal)

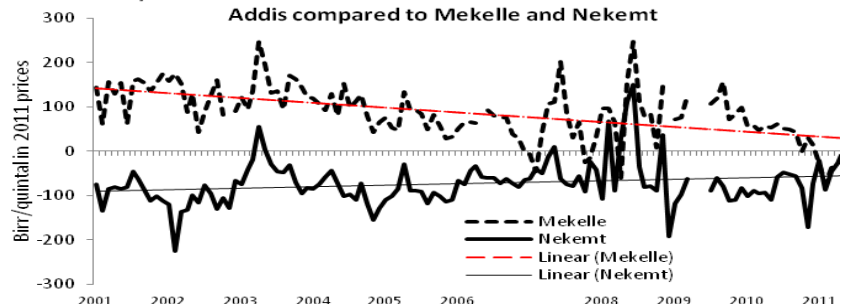


- 4) Universal access to mobile phones by traders and brokers in the last years leading to a different way of doing commercial deals.
- 5) Cooperative cereal marketing took off, increased until the middle of the 2000s but is seemingly on the decline.

- Impact on agricultural prices and margins:

- 1) Seasonality varies between 25% for maize and 10% for wheat. No significant changes in (real) price seasonality are seen over time.
- 2) Important spatial price variation: highest prices of cereals mostly found in eastern and northern part of the country, i.e. the food deficit areas. However, spatial price variation between markets is significantly declining over time.

Real prices differences of maize between the wholesale markets of Addis compared to Mekelle and Nekemt



- 3) No changes in quality premiums within cereals.
- 4) Significant declines in margins: milling and retail margins dropped by 50% since the beginning of the decade.

- Important improvements have thus happened in the last decade in Ethiopia's food marketing system, traditionally identified as a major cause of food security problems in the country.

IFPRI – ETHIOPIA STRATEGY SUPPORT PROGRAM II

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