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The Impact of Market Access on Agricultural Productivity and Farm Income in Western Amhara Region, Ethiopia

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Abstract

The primary objectives of the study are to identify, describe, and measure the impacts of market access conditions on agricultural productivity, income, consumption, saving and investment. The data base was created from a survey of 80 households in 4 Peasant Associations of Western Amhara Region. This survey data was supplemented by available secondary statistics. In order to analyse the relationship between the above variables, descriptive and multivariate statistical tools were used.

The results from this study lead to the appreciation of access to markets as an important and viable approach to rural development of the Amhara Region. By encouraging specialization and intensification in production through price signals and technology diffusion, access to markets leads to development in the agricultural sector through increased productivity and in turn increased household income, consumption, saving and investment. As hypothesized, market access variable shows a positive and significant impact on aggregate productivity and income for both market access divisions of the study. More precisely, sample farmers' agricultural productivity had an elasticity of 0.3 to market access and it is significant at 1% probability level. Furthermore, households from better market access areas also receive net income greater by 59% than those from less market access areas. Further analysis along this line showed a clear and significant decreasing trend of input use as access to markets becomes difficult. Sample farmers' use of fertilizer as an input had an elasticity of 0.4 to market access.

This study identified several key areas having direct policy implications for designing development and research intervention with the objective of improving market access. Well designed market access development reforms with the objective of improving farm productivity and income deemed imperative. Fundamentally, broad based rural infrastructure development efforts enhancing agricultural productivity and income through price signal and technology dissemination are some of the ways out of poverty trap in the study area.

Key words: Market access; Infrastructure; Productivity; Income; Dangila; Guangua.