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Agriculture is the backbone of the economy in most of the developing world, employing about 60 percent of the workforce in sub-Saharan Africa and contributing an average 30 percent of gross domestic product (GDP) for the poorest people, GDP growth originating from agriculture is about four times more effective at raising incomes than growth from any other sector.

Smallholder farmers provide the bulk of the food produced in developing countries-up to 80 percent in sub-Saharan Africa. In Ethiopia alone, for example, smallholder farmers produce 90-95% of the total food production. Growing urban population and greater wealth are creating additional demand for agricultural products, yet rising food prices suggest that farmers' productivity is not keeping up with this demand.

On the opening of International Conference on Agricultural value Chains here in Addis, Michael Hailu, director of ACP-EU Technical Center for Agricultural and Rural Cooperation (CTA), reinforced that, the conference is the first event of its kind to bridge all sectors together to specifically explore agricultural value chain development from the perspective of the smallholder farmer. Giving smallholders the resource, entrepreneurial skills and knowledge they need has the potential to increase global food production and offers farmers a chance to work themselves out of hunger and poverty.

Explaining the significance of smallholder farming transformation, Andrew Shepherd, Technical Adviser on Market led development at CTA, said that "smallholder farming must be transformed from a largely subsistence to one that is run as a business: generating enough income to boost production, improving rural livelihoods, and contribute more significantly to broad economic growth."

Explaining Ethiopia's smallholder farming experience, State Minister of the FDRE MoA Wendiyrad Mandefro said that the indigenous knowledge and farming skill of the smallholder farmers have so far affected their productivity. He remarked that the government of Ethiopia has managed to provide smallholder farmer technical support and input supplies. Accordingly, as the state minister put it, their productive potential has increased creating a certain room for value chain between the smallholder farmers and some multinational giants.

Wendiyrad stated that in the last 9 years in Ethiopia the agricultural production of smallholder farmers has increased at the average of 8% annually. The main reason for such an increase, as the state minister said, was mainly the governmental support for the producers. As a result the producers are now benefiting themselves from their produces.

Meeting market demand requires that smallholder farmers are linked in a coordinated and collaborative way to their buyers. Such collaboration is what termed, "Value Chain". Farmers need to make additional investments in order to provide the varieties, quality, quantity, and delivery and reliability demands by buyers. In return, they need to be rewarded by higher price and guaranteed markets. Value chains, weather involving sales to the domestic or overseas

supermarkets; sales to agro-processors; marketing to millers of staples that conform to quality requirements; or sales of export commodities such as coffee, cotton and cocoa, offer the possibility for small holder farmers to receive information about buyer needs and to be able to respond to those needs.

In transforming smallholder farming, value chains can play a vital role in such a transformation as they aim to link relevant actors together, from farmers and input suppliers through to end-product buyers. Such chain also requires support services from financial institutions, transport service, and government agencies.

Value chains are links formed between small scale farmers and the customers directly. In such a link, multinational giants like Starbucks and other play vital role in enhancing the income and productivity of the smallholder farmers. The value chain, according to Michael Hailu, safeguards the farmers by creating conducive market system whereby they could negotiate on the price of their products.

The director, Michael Hailu, stated that the value chain prescribes smallholder farmers from developing countries should add values to their produces so that their export yields better income for them and their country. Similarly, Andrew Shepherd, reminded that there is huge growth for the demand of agricultural products from the developing countries. He stated that the small scale farmers of the third world should benefit themselves from the ever increasing global demand for their products by adding value to their raw materials for better income.

Similarly, while explaining the Ethiopian experience, State Minister Wendyirad said that the formation of institutions like that of Ethiopian Commodity Exchange(ECX) has profoundly increased the confidence of the small scale farmers of the country in that they could negotiate on the price of their products. He added that the value chain in that regard enables producers to upscale their production potential there by creating opportunity by which they contribute to the growth of the national economy.

As prescribed on the conference, efficient agricultural production and value chain require financing. Insufficient credit availability in rural areas is the major constraint faced by small holders. Domestic companies operating in value chain also require financing but this can be difficult ot come by. Thus, the conference called up on the governments of the third world to finance smallholder farmers with a potential reward of increased local agro production which in turn adds great to the national economy.

More over, the conference indicated that for value chains to succeed training is essential. Extension workers need to be able to advise small holders about how to become more market oriented and treat farming as a business. The conference addressed that companies working in value chains need a cadre of well-trained staff who understand the importance of meeting customer requirements and how to do that.

In addition to training and financing, ICTs also play considerable role for value chain development. The advanced ICT facilitates the flow of information between those working in the chain, enable product traceability to take place and can even be used for payment transaction.

The better productivity of agricultural value chain, as indicated in the conference, requires an all around cooperation of governmental and non governmental actors. As state minister Wendyirad Mandefro put it, the government of Ethiopia is providing extensive support to the small scale farmers. He reminded that in addition to the regulatory role of the government in the agricultural sector, several technical and material supports have been given to the smallholder farmers to enhance their income by increasing their productivity.

In general, agricultural value chain benefits the small scale farmer in several ways. Among the benefits are better income, surplus product, introduction to new technology, access to market and social change and transformation in their lives. It is, there fore, clear that the more the farmer is integrated to the market, the higher the benefit the farmer secures. Such benefits affect the lives of the smallholder farmer in specific and the national economy in general.