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GRAIN MARKETING AND LAND REFORM IN ETHIOPIA

An analysis of the marketing and pricing of food grains in 1976 after the land reform

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Prior to the mid-1960s Ethiopian agriculture was virtually unaffected by any modernization efforts. The peasant farmers who constitute close to 90% of the population were farming in the same fashion as they had for centuries. The average peasant farm would have about 1.5 hectares of arable land, usually fragmented into a number of noncontiguous plots, and yield totally perhaps 10-12 quintals of cereal grains. This should suffice for paying land rent to the landlord, various dues to the church, taxes to the government, and repayment of credits—usually at exorbitant interest rates—to merchants. The remainder of the production from the peasant farm would barely suffice to feed the five or six people composing the household, leaving very little, if anything, for production-increasing investments on the farm. Tools were primitive, and modern farm inputs like fertilizer and certified seeds unknown.

In the last years of the 1960s a cautious change was beginning to take place. With support from the Swedish government a comprehensive so-called package programme for integrated rural development was initiated in Chilalo awraja some 175 km south-east of Addis Ababa, and shortly afterwards the World Bank helped launch a similar programme in Wollamo awraja 330 km south of the capital. Meanwhile, an agricultural research institute and a fertilizer demonstration scheme had been established with FAO support. However, by the end of the decade still only about one per cent of the farmers in the nation had access to improved techniques and yield-increasing farm inputs.

Around 1970 there was a growing awareness among planners in Ethiopia that the package programmes appeared to provide a promising model for development of peasant agriculture in the country. Work commenced on the development of the so-called Minimum Package Programme (MPP) under which the essential features of the comprehensive programmes would be disseminated to a larger number of farmers at a lower cost per farmer/beneficiary. At the outset these essential features were demonstrations of improved inputs through a network of extension agents and sale of these inputs, mainly fertilizers and seeds, on favourable credit terms. Later the extension pro-
gramme was gradually widened to include i.a. components for animal husbandry, home economics and soil and water conservation. A new agency, the Extension and Project Implementation Department (EPID), was created within the Ministry of Agriculture in 1971 to administer the implementation of MPP as well as the comprehensive programmes. EPID was given a semi-autonomous status that relieved it of the normal, cumbersome government bureaucracy, became relatively well staffed with Ethiopian and foreign personnel, and soon was the recipient of generous capital and technical foreign aid. The thrust of the government's attempts at modernizing peasant agriculture was to come through EPID.

Farmers responded rapidly to the MPP approach. The programme started field operations in 1971 with 112 extension areas, each with a marketing centre from which inputs were sold to farmers; in early 1976 there were 351 such centres. In 1971 EPID through these centres made a total of 4,691 sales of inputs, including 9,460 quintals of fertilizer and 222 quintals of seeds. In 1975 there were 81,427 input sales for 78,688 quintals of fertilizer and 3,175 quintals of seeds.

Meanwhile, other comprehensive package programmes had been launched around the town Debre Zeit close to Addis Ababa and in Shiraro awraja in northern Ethiopia. Through those and the previously initiated programmes it may be estimated that EPID in late 1975 was able to make improved farm inputs available to about 825,000 farmers equivalent to perhaps 18% of the total farming population. In five years the expansion of the provision of development services to rural areas had been rapid.

However, the devastating drought that hit Ethiopia 1972-1975 brutally demonstrated that it had not been rapid enough, and that the country was still unable to feed itself. In a good year the supplies of food grains might suffice even for modest exports, but in a bad year there would not only be imports of cereals, there would be acute hunger in large parts of the countryside. Given the rugged topography and the inadequate road network, there would in any year be glaring imbalances between different areas with some areas exporting large surpluses to the towns while other areas, sometimes located in the vicinity of surplus areas, might suffer famine.
Dissatisfaction with the government's handling of the drought and its effect was one major factor contributing to the events in 1974 that eventually led to the removal of Emperor Haile Selassie in September 1974. The need for an increased agricultural production in Ethiopia was, therefore, high on the list of priorities for the new government. While work on the fourth five-year development plan was suspended in 1974 and no comprehensive document exists that clearly articulates the development priorities of the new government, it has been stated in a variety of contexts that increased domestic production of food grains is one of its highest priorities for development in general and rural development in particular.

To accomplish the objective of raised agricultural production it would be necessary to provide incentives to the large number of smallholders from whom the bulk of the production of Ethiopian agriculture derives. This in turn demanded action by the new government in two fields where, in the past, Haile Selassie's regime had been particularly delinquent: land reform and grain marketing. Failing comprehensive reforms in these two fields it would be difficult for the new government to bring about an effective increase of agricultural production and, in particular, an increase of the part of that production that reached the marketing system and thereby helped feed the towns and the deficit areas.

2  THE LAND REFORM

In the nine southern provinces about 47% of the total cultivated area was farmed by tenants, and the percentage of tenants out of the entire farming population in these provinces was 46%; this is equivalent to over one-third of the entire rural population in the country. Most of the major grain surplus regions were found in the southern parts of the country.

A tenant would have to pay anything between one-fourth and half of his gross yield as land rent to his landlord. When the tenant was able to raise the yield on his farm and thus the value of his land, the landlord would usually raise the land rent. In most cases the tenant would have to pay the cost of inputs. If he wanted to risk an investment in a new and to him unknown input like
fertilizer he would have to make the cash outlay, corresponding to perhaps 15-20% of his annual cash income, while still paying a fixed fraction of his gross yield to the landlord. That this system was not only highly extractive and onerous to the tenant but also deprived him of all incentives to attempt to raise his production and invest on his farm was clearly demonstrated by CADU. In the absence of land reform it would hardly be possible to involve the tenants in the development process.

The long-awaited land reform was proclaimed by the government on March 4, 1975. Its most salient features were:

a) abolition of private ownership of land and making land the collective property of all Ethiopian people and thus prohibiting all trade in land as a commodity;

b) abolition of the tenancy system;

c) abolition of hired farm labour;

d) placing a limit of 10 hectares as the maximum amount of land that a given farm family may cultivate;

e) provisions for the establishment of peasant associations on areas of 800 hectares or more with about 100-200 farm households;

f) redistribution of land within areas of peasant association.

Commercial farms, including buildings and implements on these farms, were immediately taken over by the government. State farms were created on some of the land of these farms (168,000 hectares in 1975), while the remainder of this land was used for settlement of former tenants and landless workers.

To date land reform implementation has been mainly confined to the southern provinces where private tenure prevailed in the past, while the impact of the reform in the northern provinces has been largely negligible.\(^7\) Formation of peasant associations was rapid in the initial euphoria that followed the reform, and in September 1975 the government claimed that 18,000 associations had been formed with the assistance of the field agents of the Ministry of Land Reform, EPID and the campaign students.\(^8\)\(^9\) A campaign was launched to put to crops the lands of the former commercial farms.\(^10\)
Nothing but the very initial phase of the land reform has been overcome so far, and it would yet be premature to pass judgment on its ultimate outcome and effects on agricultural production. However, the reform did eliminate one of the major structural hindrances to economic development in the countryside by making it possible for the large part of the rural population that formerly were tenants to retain for themselves the fruits of their labour thereby providing prima facie incentives for an increased production.

3 GRAIN MARKETING AND PRICING

Even during the height of the drought in 1973 when thousands of people were dying from hunger there was no shortage of food grains in Addis Ababa or other major urban areas. Retail prices did rise by about 20% in 1973 and continued to rise at an even faster rate in the first quarter of 1974. However, official trade statistics show a net export surplus for cereals, oilseeds and pulses of 203,900 MT in 1973, the largest export surplus in any year since 1962 (footnote 6). It was clear that the marketing system did not efficiently reallocate surpluses to deficit areas, and also that the system should be placed more firmly under the control of the Government: at that time 90% of all grains in the market system were sold through private channels.

It has been estimated that there were, i.e., prior to the land reform, from 12,500 to 25,000 grain merchants active in rural areas and 4,000 to 8,000 merchants in the towns. In Addis Ababa there were about 25 major grain dealers with a combined storage capacity of some 100,000 MT. There were also about 13 large flour mills with a combined capacity of 160,000 MT that absorbed most of the marketed wheat supply. In the marketing chain there was little functional specialization, and the same merchant might act as wholesaler, retailer, transporter and financee, depending on the customer.

Despite market fragmentation, a major influence in grain price formation is exerted by the terminal market at Addis Ababa, and to a lesser extent that at Asmara, where the operations of the larger wholesale stockists are concentrated. In the absence of
reliable crop forecasts, the subjective production estimates of 
these wholesalers becomes the crucial market force, especially 
during and immediately after harvest, since they command the 
facilities (storage and finance) for seasonal stock-holding. The 
costs of marketing are high due to bad roads, double transport 
(because of lack of storage and capital in rural areas), numerous 
title transfers in the marketing chain, high storage losses, lack 
of grading with accompanying high transport costs for impurities 
and inefficient crop forecasting and ensuing high risks and margins 
in seasonal storage.

The producer is generally in a weak bargaining position because 
of his need to sell immediately after harvest in order to pay his 
debts to landlords, merchants and tax authorities. In addition, 
he suffers from collusion between buyers in the market place, 
limited market information, uncontrolled weights and measures 
manipulated to his disadvantage by merchants, and the sheer effort 
required for him to bring his produce to market over long distances 
and difficult terrain which may induce him to sell even if the 
price is low.

Government intervention in grain marketing prior to 1975/76 had 
been weak and inconclusive. The Ethiopian Grain Board (EGB) 
functioned as a regulatory body with primary emphasis on export 
licensing, quality control, and overseas market intelligence. It 
did not hold stocks. The Ethiopian Grain Corporation (EGC) was 
established as a public corporation in 1960 with the aim of promot-
ting price stability and engaging in imports and exports of grains. 
However, EGC suffered from shortcomings related to shortage of 
working capital, the lack of a government price policy, and insuf-
icient market information, and it was frequently unable to 
generate enough profits to cover its administrative overhead costs. 
Its average share of the wholesale grain trade until 1975 was less 
than 5 %, which was insufficient for it to be able to exert any 
significant influence on prices.

As a consequence of these various shortcomings in the grain trade, 
there were strong fluctuations in prices between years as well as 
within years.
The year-to-year price fluctuations may be illustrated with the following sample data: between 1971 and 1972 the average wholesale prices in Addis Ababa fell by 43% for horse beans, 45% for maize, 18% for brown teff, 29% for white wheat, and 21% for rape seeds. By contrast, prices increased between 1972 and 1973 by 60% for horse beans, 59% for maize, 18% for brown teff, 13% for white wheat, and 100% for rape seeds.

The table below shows the seasonal variations in the Addis Ababa wholesale prices as illustrated by the difference in prices between the months September and March (ES/qintal):\(^\text{12}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>White Teff</th>
<th>White Wheat</th>
<th>Maize</th>
<th>Sorghum</th>
<th>Barley</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>0.96</td>
<td>0.29</td>
<td>0.62</td>
<td>3.04</td>
<td>1.20</td>
</tr>
<tr>
<td>1973</td>
<td>5.28</td>
<td>9.24</td>
<td>8.89</td>
<td>5.88</td>
<td>7.56</td>
</tr>
<tr>
<td>1972</td>
<td>3.07</td>
<td>-1.22</td>
<td>-1.85</td>
<td>0.80</td>
<td>-1.82</td>
</tr>
<tr>
<td>1971</td>
<td>2.05</td>
<td>1.12</td>
<td>0.64</td>
<td>0.15</td>
<td>4.67</td>
</tr>
<tr>
<td>1970</td>
<td>11.80</td>
<td>15.38</td>
<td>10.89</td>
<td>11.82</td>
<td>11.42</td>
</tr>
<tr>
<td>1969</td>
<td>2.32</td>
<td>-0.01</td>
<td>5.52</td>
<td>5.43</td>
<td>2.59</td>
</tr>
<tr>
<td>1968</td>
<td>-0.25</td>
<td>0.26</td>
<td>1.86</td>
<td>-3.52</td>
<td>-0.26</td>
</tr>
<tr>
<td>1967</td>
<td>2.44</td>
<td>2.97</td>
<td>-0.71</td>
<td>1.35</td>
<td>3.05</td>
</tr>
<tr>
<td>1966</td>
<td>-1.75</td>
<td>-1.56</td>
<td>-0.99</td>
<td>-0.27</td>
<td>-2.18</td>
</tr>
<tr>
<td>1965</td>
<td>9.09</td>
<td>2.38</td>
<td>5.05</td>
<td>6.28</td>
<td>4.58</td>
</tr>
<tr>
<td>1964</td>
<td>4.68</td>
<td>10.48</td>
<td>4.61</td>
<td>7.72</td>
<td>4.94</td>
</tr>
<tr>
<td>1963</td>
<td>3.05</td>
<td>-0.37</td>
<td>-0.69</td>
<td>0.31</td>
<td>-0.85</td>
</tr>
<tr>
<td>1962</td>
<td>1.98</td>
<td>3.86</td>
<td>2.85</td>
<td>2.77</td>
<td>2.91</td>
</tr>
<tr>
<td>Average</td>
<td>3.44</td>
<td>3.60</td>
<td>2.82</td>
<td>3.21</td>
<td>2.91</td>
</tr>
</tbody>
</table>

Under these conditions of widely fluctuating prices planning becomes difficult at all levels in the agricultural sector: at the aggregate national level the computation of price subsidies and the forecasting of production volumes, export revenues and the placing of import orders becomes hazardous; the extension sori ice does not know what advice to give farmers as to which crops to plant next year; the farmer himself tends to plant each new season what gave good returns in the past season thereby contributing to the price swings. In particular, with low or falling prices his incentives for risking an investment in an innovation like fertilizers will be limited,\(^\text{13}\) as will indeed his incentive to produce for the market and beyond his immediate subsistence needs.

The need for an improvement in the performance of the grain marketing system and an enhanced government control over the handling and flow of produce in the marketing channels and hence over the
formation of prices was evident to the new government that came to power in Ethiopia in 1974, given its preoccupation with increased agricultural production in the country. When the Emperor was removed in September 1974 the Ministry of Agriculture had already advanced plans for the establishment, primarily with World Bank support, of a new agency sufficiently strong to influence the formation of prices in the grain trade. Work on this project was accelerated, and throughout 1975 the project was subject to discussions between the government and the World Bank. In 1976 the government at its highest level approved what was all the essential parts of the proposals made by the Bank.

An outline of government economic policy and the respective roles of the public and private sectors in wholesale and retail trade was given in the "Declaration on Economic Policy of Socialist Ethiopia" published on February 7, 1975, which stated that

"the Government may, where necessary, engage in wholesale and retail business in order to stabilize prices particularly of basic consumption items, and thereby protect the interests of the masses. Strict control will also be exercised on the private sector with regard to supply, prices and distribution of goods."

In the grain marketing field the specific aims of the government as spelled in the grain marketing and storage or project proposal, are to

- assure stable producer and consumer prices;
- maintain adequate producer incentives;
- reduce marketing margins through greater efficiency and reduced risks and profits;
- assure an adequate food supply in all parts of the country.

The government intends to achieve these aims through the establishment of a new agency, the Agricultural Marketing Corporation (AMC) to handle the output of the state farms, grain imports, and the growing production from areas of the various package programmes administered by EPID. AMC would over a five-year period become responsible for some 45% of the total wholesale trade of grain, oilseeds and pulses and be in a position to exercise a major influence on prices. AMC would absorb EGC and its functions, while the functions of EGB would be expanded to include regulation of domestic marketing, improvement of market intelligence services,
and promotion of market infrastructure improvements.

4 TOWARD A NEW GRAIN PRICE POLICY

The government in the proposal for the grain marketing and storage project also adopted the outline of a new price policy for grains. While this policy did consider also the interests of consumers, it came out heavily in favour of the producers and in support of a general "high price policy" for the major food grain crops with a view to stimulating domestic production.

The policy recognized that most of the marketable surplus of grains would be expected from the smallholders composing the bulk of the population in the country. These smallholders would have to be provided with adequate incentives to improve their production practices and raise their yields. In the short term there would be no alternative to fertilizer as the principal means for increasing the yields of small farmers while improved seeds, measures to conserve soil and water resources, pesticides and other inputs would come later. It was, therefore, important that the policy take into account a ratio between the prices of fertilizer and grains that would provide adequate incentives for farmers to acquire fertilizers.

This ratio would be determined by the knowledge and acceptance of fertilizers by the farmers and by the risks inherent in peasant agriculture in the country. In Ethiopia the acceptance of fertilizer is still low, while the risks caused by weather and other factors are high. The benefit/cost ratio for fertilizer would, therefore, have to be rather high if adequate incentives were to be provided. In the end a ratio of 1.5:1 was accepted as part of the policy, i.e. the price paid to producers for grain should not be allowed to fall below a level where the average benefit/cost ratio in the use of fertilizers becomes less than 1.5:1.

A net grain deficit was forecasted for Ethiopia throughout the current decade. The government's own estimate of this deficit in 1976/77 as advanced by the Relief and Rehabilitation Commission in early 1976, was about 100,000 MT. The World Bank assumed annual import needs until 1980 to be about 150,000 MT. There would thus be a need for large quantities of grains to be brought
into the country at world market prices. Since these prices in
the past few years have been considerably higher than Ethiopian
domestic prices, these imports would create an upward pressure on
prices beyond the levels determined by the aforementioned
benefit/cost ratio for fertilizers.18

The interests of the consumers, particularly in urban areas, who
would be exposed to rising prices caused by imported grains would
be safeguarded by fixing an upper limit to permissible price in-
creases. This upper limit would have to be determined in the light
of available government resources for subsidies of imports, the
estimated purchasing power of urban consumers, and the terms on
which imported grains could be obtained; there could be no hard and
fast rule in this regard.

AMC would through its stock movements aim at ensuring that seasonal
price variations were kept within the two "tolerance limits", the
upper limit serving the interests of consumers, primarily in urban
areas, and the lower limit serving the interests of producers.
The two limits would be determined annually as soon as the results
from the last harvest were available and would, as required, be
revised during the marketing season.

Fertilizer prices had steadily increased in world markets in the
last few years necessitating the introduction of subsidies on
fertilizers sold to peasant farmers. These farmers' demand for
fertilizers was believed to be highly elastic with regard to price
at a price level of about E$50/quintal, and the government has in
1975 and 1976 maintained the price at approximately that level.

Given the assumed benefit/cost ratio, as set out above, the impli-
cations to the government of the proposed policy become clear: a
higher fertilizer price to the farmers would mean a lower cost
of subsidy on fertilizer and on imported grain but also a lower
domestic production of grains and higher prices to consumers.
Lower fertilizer prices to the farmers would reduce the level of
grain prices but increase subsidies on fertilizer and imported
grains.
How this would work in practice is illustrated by the table below showing data for the three major cereals teff, wheat and maize. The fertilizer cost shown is the actual cost paid by farmers in 1975 for one quintal of Diammoniumphosphate, the most widely used fertilizer in Ethiopia that according to EPID's extension recommendations is to be applied by small farmers at the rate of one quintal per hectare. The incremental yields have been estimated from the results of EPID's crop sampling surveys.

<table>
<thead>
<tr>
<th></th>
<th>Teff</th>
<th>Wheat</th>
<th>Maize 19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fertilizer cost, E$/ha</td>
<td>50</td>
<td>50</td>
<td>75</td>
</tr>
<tr>
<td>Desirable benefit/cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ratio to farmers</td>
<td>1.5</td>
<td>1.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Gross return, E$/ha</td>
<td>75</td>
<td>75</td>
<td>188</td>
</tr>
<tr>
<td>Incremental yield, qt/ha</td>
<td>2.6</td>
<td>3.5</td>
<td>16.1</td>
</tr>
<tr>
<td>Desirable minimum producer price, E$/qt</td>
<td>28.85</td>
<td>21.43</td>
<td>11.68</td>
</tr>
</tbody>
</table>

These would be the "farm gate" prices to be paid to producers that would be desirable to maintain adequate incentives for producers to raise their production through the application of fertilizer.

To arrive at wholesale prices in Addis Ababa a margin of E$7.00 would have to be added to the above prices to include the bag, bagging, stitching, loading and unloading to and from trucks, interest on working capital, profit margin, and truck transport to Addis Ababa (estimated for a distance of 100 Kms). This would give the following Addis Ababa wholesale prices compared to actual annual price averages computed over the period 1966-1974.20

<table>
<thead>
<tr>
<th></th>
<th>Addis Ababa Wholesale Prices (E$/qt)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Illustrative mini-</td>
</tr>
<tr>
<td></td>
<td>mum prices</td>
</tr>
<tr>
<td>Teff</td>
<td>35.85</td>
</tr>
<tr>
<td>Wheat</td>
<td>28.43</td>
</tr>
<tr>
<td>Maize</td>
<td>18.68</td>
</tr>
</tbody>
</table>

The minimum wholesale prices or "lower tolerance level" prices would be favourable to farmers, falling near the upper limits of actual average prices in the last several years.
The fiscal implications to the government may be illustrated by the following computation showing the cost of subsidy on imported grains and cost of subsidy on fertilizers sold to small farmers. The data used are approximations of actual data valid for 1976/77.

a) Estimated demand deficit of grains to be covered by imports in 1976/77: 100,000 MT

Forecast import parity price for wheat delivered Addis Ababa in 1976/77: E$ 506/MT

Assumed spread between lower and upper tolerance limits: E$ 50/MT

Required subsidy on grains:
506 - (284.30 + 50.00) x 100,000 = E$17,170,000

b) Estimated quantity of fertilizer demanded by small farmers in 1976/77: 37,500 MT

Average cost of fertilizer to small farmers before subsidy: E$ 670/MT

Average cost of fertilizer to small farmers after subsidy: E$ 470/MT

Cost of subsidy: 37,500 x 200 = E$ 7,500,000

In practice, the cost of subsidy on grains would be somewhat illusory, since the government would be able to expect large parts of its grain imports on concessionary terms from foreign donors. However, the cost of fertilizer subsidy would be a real financial cost to the government. Foreign donors would probably be unwilling to provide grains on concessionary terms, unless they were convinced that all possible efforts had been made by the government to stimulate domestic grain production through sales of fertilizer.

It is evident that this policy is heavily geared in favour of the farmers/producers, and that the resultant costs to the government, mainly in the form of fertilizer subsidies, would also serve the interests of the farmers. In accepting this policy the new government of Ethiopia took a big step forward eliminating the exploitative urban/rural relationship that had prevailed in the past with the smallholders expected to produce for feeding the urban areas (and, of course, the landlords many of whom lived in the towns).
mainly for negative incentives. Finally, a positive incentive to produce for the market would be provided to the Ethiopian peasant.

5 PRICE DETERMINATION IN PRACTICE IN THE 1975/76 SEASON

This policy was outlined by an appraisal mission from the World Bank for the grain marketing and storage project. It was thoroughly reviewed and approved at all levels in the government. However, the policy was then reviewed in its context, i.e. as part and parcel of the proposed project to be supported by the Bank, and in this context the policy seemed to make much sense.

However, when taken out of that context and presented not in the technical and convincing jargon of the World Bank but by middle level government officials, the policy seemed difficult to understand within the government. Harvest in Ethiopia starts in late October and, since there was general agreement that government intervention in the grain trade should start already in the 1975/76 marketing season, a pricing policy should have been ready already at that time. Discussions about the policy by an inter-agency government committee did not get under way until November and were not concluded until early December. It proved difficult to put across in the committee the rationale behind the proposed pricing policy. While the need for increasing agricultural production was generally accepted, the argument for doing this by stimulating sales of fertilizers was not fully understood. It was argued that other means than fertilizer should be tried, that fertilizer was costly to the economy, and that fertilizer as an imported commodity should be replaced by materials locally available. The benefit/cost argument did not win ready acceptance, and more emphasis was placed on the consumers' interests than on the farmers'.

EPID was represented on the committee and after long discussions finally succeeded in winning acceptance for arguments to the effect that in the short term there was no alternative to using fertilizer to increase agricultural production, that orders for the coming season's supply of fertilizer were already irrevocably placed, and that farmers at least in that season should be encouraged to purchase these fertilizers.
The prices that finally were adopted by the committee and shortly thereafter by the government were at wholesale in Addis Ababa: teff - E$ 35/qt, wheat - E$ 26.50/qt, and maize - E$ 18/qt. A comparison with the "desirable minimum producer prices" shown above indicates that the now adopted prices were somewhat lower than the theoretically desirable minimum prices. However, the approved prices did represent a substantial increase over the prices paid to producers in the previous year. Moreover, these were the prices to be followed in January and February immediately after the main harvest, and there would be later increases corresponding to the normal upturn of prices later in the season. It was not a bad compromise from the point of view of the farmers. However, the committee took no action on deciding any upper price limits in the interests of consumers on the implicit assumption that it would be possible to maintain prices close to the levels now decided on.

6 THE 1975/76 GRAIN MARKETING SEASON

Immediately after the announcement of the land reform in March 1975 there was much concern that the short-term effects on production would be devastating. In March soil preparation for maize and sorghum is normally well under way, and the rumours preceding the announcement made commercial farmers refrain from any procurement of inputs, let alone initiation of ploughing and planting. In many areas also medium and small farmers were apprehensive and delayed normal work. The reform, when announced, with immediate effect abolished all private farming on lands exceeding 10 hectares. Since large and medium farms accounted for a large part of the marketed surplus, perhaps about one-third, and since the government was feared to be unable to undertake any effective measures to cultivate the land of these farms on such short notice, it was generally expected that the production shortfall immediately resulting from the land reform would be considerable.

However, these fears proved largely unfounded. As indicated above (footnote 10), the campaign launched by the government to plough and plant the lands of the former commercial farms was generally successful, and most of these lands were put to crops. There was less resistance to the land reform in the countryside than first
expected. When the immediate excitement after the reform had
died down, many small landowners continued farming as they had in
the past. Much land, particularly in the lower Rift Valley,
that had previously been used for cotton or pulses was now planted
with cereals. Finally, the rainfall in the 1975 growing season
was very adequate and well distributed. In addition, the land
reform had immediate and encouraging effects on the sales of
fertilizer by the package programmes. CADU made 42,000 sales of
inputs to farmers against 25,000 the previous year. The number
of input sales made under MPP increased from 49,600 in the pre-
vious year to 81,400. The quantities of fertilizer sold did not
increase at the same rates, indicating that smaller quantities
were being purchased by farmers and that smaller farmers had now
found incentive to buy fertilizer. As a means of encouraging
smallholder production the land reform already seemed to be working.

The Ministry of Agriculture later estimated the 1975 production
by smallholders to be 20% higher than the previous year, while
EPID's estimates indicated an increase by 10%. These estimates
were little more than conjectures, but it appeared certain that
the 1975 harvest was well above average. The exception to this
general picture was the north and northeast of the country, where
political disturbances and inadequate rainfall contributed to a
poor harvest.

Despite the good harvest, a shortage of the staple teff was very
evident in Addis Ababa in March and April, and the flour mills also
experienced a shortage of wheat in these months. In May and June
these shortages continued although on a somewhat reduced scale.

The minimum daily grain requirement of Addis Ababa is about 4,000
quintals, of which 1,800-2,000 is teff. The average daily arrival
of teff in the capital during the month of April was 1,873 quintals,
barely above the minimum requirement. However, in April stocks
are normally built up in anticipation of the rainy season June-
September when there is little grain marketing and when the new
harvest is not yet ready. Normal grain deliveries to Addis Ababa
would have been considerably higher, indicating a serious risk for
a shortfall of grains later in the year.
While there was at no time any acute hunger in the capital, there was rationing of teff with ensuing queuing and inconveniences for consumers, and retail prices were high. In June the retail price determined by the government was E$50-51, while the black market price — virtually the only price at which it was possible to find teff — was E$60 or more, the highest prices ever on record. These price increases applied also to other staple foods, and from March to April the government’s retail price index for food rose by 25.9 points or 11.8 %. The general retail price index rose during the month of March by 7.9 %, and the country seemed headed for runaway inflation.

How can these shortages be explained in a situation with a good harvest and favourable prices to producers that should have served as incentives for them to market more of their grains than in the past? There are several explanations, many of which are interrelated:

1. In the past tenants would pay between one-fourth and half of their gross production in kind to their landlords as land rent. In the southern provinces close to half of all farmers were tenants, and the total quantity of grains that changed hands as payment for land use was therefore significant. Landlords would be anxious to convert the rent payments into cash and would sell these grains, which thus reached the market system. These payments were now no longer forthcoming.

2. The average calorie intake per capita in Ethiopia is 2,020, which is over 10 % below the accepted requirement levels of 2,330. Many farm households and particularly those of tenants had in the past subsisted on the absolute minimum in terms of food. Increased on-farm food consumption was, therefore, an immediate consequence of the land reform. While this naturally was a positive and expected outcome of the reform, an accompanying reduction of the marketable surplus would be inevitable.

It may be estimated that the total volume of grains withheld from the marketing channels because of the absence of land rent payments and increased on-farm consumption is about 150-200,000 MT.
3. Since they no longer made to landlords or to the government any payments for land rent or land tax immediately after harvest, farmers themselves assumed the role previously reserved for merchants of storing produce speculatively in anticipation of rising prices. Some peasant associations rapidly constructed small grain stores with a capacity of perhaps 80–100 quintals. As late as May, when farmers formerly had disposed of most of their grains, EPID’s field staff were reporting that there were still large grain stocks on the farms: it is easy for the farmer to construct one or two additional cribs out of twigs, straw and mud, the traditional on-farm grain store in Ethiopia, to store perhaps 10–20 quintals. If each farm household in grain surplus areas were to store, say, five quintals for four months longer than normally, the effect on the totally available marketable surplus would be considerable.

4. The government had provided tractors to assist former tenant farmers without access to work oxen to plough their land. However, threshing of grains is in Ethiopia traditionally done through trampling by oxen, and the tractors obviously could not perform this service also. Many farmers, therefore, experienced difficulties in threshing their grains.

5. There were acute shortages of trucking capacity to haul the grains to market throughout the 1975/76 grain marketing season caused by several factors:

a) The security situation along the road to Assab forced vehicles serving the port of Assab to go in slow convoys more than doubling the turn-around time Addis Ababa-Assab.

b) The government had not, in fact, nationalized many trucks. However, because of the widespread nationalizations in other sectors and the government’s tendency to commandeer all available trucks for specific purposes, often with little or no financial return to the owners, there was little investment in trucks by the private sector. There was, on the other hand, a steady attrition of trucks due to ambushes along the Assab road and in the north and conversion of trucks to tankers.

c) In the months of February and March all available trucks were
directed to Assab to relieve the port that was badly congested
due to i.a. deliveries of the fertilizer supplies for 1976.
In 1975 there had been extensive damage due to rain to fertili-
zer stored in the open at Assab, and the government wished
to avoid a recurrence.

d) In April all available trucks were again requisitioned by the
government, this time to support the abortive attempt to mobi-
lize large masses of peasants for a march on Eritrea.25

As a result of these developments, grains were lying uncollect-
ed in the fields of some state farms, e.g. in Chilalo, until late into the marketing season. Many of the buying centres
of AMC were so full in the absence of trucks that further buying from farmers had to be discontinued. The momentum of
the entire grain buying operation was much reduced.

6. At the outset of the season the Ministry of Agriculture stressed
repeatedly that it would be important for the government to actively encourage the participation of the private sector in the grain trade through public statements and assurances that there would be no further interventions in this trade beyond the establishment of AMC and that the private trade was not only to exist but also expected to cater for the anticipated increasing surpluses from rural areas. The World Bank also recommended a policy statement to this effect by the government.

However, no such statement ever materialized. Private merchants were afraid of making large purchases and holding stocks for fear that these stocks at any time might be confiscated by the govern-
ment. The public confidence in the government in the spring of 1976 was low, and such confiscations did seem to be a palpable possibility. As a result, EGC was forced to adopt an unproportional share of the work of feeding the urban areas, and fully half of the grain deliveries made to the capital in the months of March, April and May were made by EGC.

7. Around 35 % of Ethiopia’s manufacturing industry is located in
Asmara, and supplies from Asmara were in 1976 at best irregular as a consequence of the worsening security situation in the north.
Many of the manufacturing industries throughout the country suffered production losses as a result of insecure raw material supply, poor management resulting from the nationalizations and labour unrest. Meanwhile, the government was adding to inflation through heavy deficit financing of increasing expenditures on the public sector in general and on defense in particular.

This led to shortages of goods in the local markets and to rapidly rising prices for those goods that were available. The Ethiopian Herald commenting on this problem in June stated as examples that the price of boots had increased from E$5 to E$10 in two years and the price of pepper, a staple ingredient in Ethiopian food, had increased from E$20 two years ago to E$90 per 17 kg.26

The revolution had succeeded in politicizing the Ethiopian peasant. He was now more strongly aware of a government presence, real or imaginary, in many fields where previously local elites, landlords, and merchants had held sway. When he was selling his grains in the market he felt, with some justification, that he was now dealing with the government. In areas where resistance to the government has traditionally been strong, e.g. Gojjam, many farmers tended to react to the increasing prices and shortages of goods in the local markets by withholding grains. They would sell sufficient quantities to maintain their immediate personal needs, but a common attitude was that "as long as the government does not make the goods we need available to us at decent prices, we will not sell our grains". Meanwhile, they would store their grains in anticipation of further grain price increases.

8. Large quantities of grains that would normally have been available for Addis Ababa and other large towns in the south were diverted to feed the embattled north: the city of Asmara, the army, and also the peasant campaign.
THE OUTCOME OF THE GOVERNMENT'S INTERVENTION IN THE GRAIN TRADE

It is difficult to quantify the relative effect of each of these various factors on the amounts of grains available for the principal urban areas, but it is clear that the aggregate effect would be one of reducing the total supplies available for, in particular, Addis Ababa. The good harvest had led to a production increase, but the marketed surplus had declined. The conditions for an expanded intervention by the government in the grain trade were not favourable.

The 1975/76 season was to be a preparatory year for the establishment of AMC intended to take place with the 1976/77 fiscal year commencing in July 1976. EGC was provided with generous amounts of working capital by the government and given permission to purchase 40 new heavy trucks with trailers in anticipation of retroactive World Bank financing. Grains were to be purchased from (a) state farms, (b) merchants and farmers directly through the branch offices of EGC, and (c) through some of the marketing centres of the package programmes. Prices to be paid for delivered grains were to follow the price list established in December. The target established for the season was 227,000 MT to be handled in wholesale by AMC equivalent to about one-third of the total marketed volume of grains, an ambitious beginning. Retail outlets were to be opened in the major markets.

This target was revised twice downward, and at the end of the season EGC had bought about 150,000 MT. In July 1976 EGC held stocks of 110,000 MT, a quantity sufficient to avert any acute shortages of grains in Addis Ababa and other major towns. However, this included mostly barley and maize, relatively little teff and only one month's supply of wheat. In September only maize was left, and the government imposed an admixture of 25 % maize flour in all wheat bread sold to consumers. Meanwhile, prices continued to increase, and the retail price index for food had risen by 34.9 % from January through September. The government had succeeded in feeding the capital and the towns until the 1976 harvest but much at the expense of the urban consumers, who had to cope with rapidly rising prices as well as a deteriorating diet as they had to switch
from their staples teff and wheat to barley and maize which
are regarded as more inferior food.

The reasons for the shortfall of the quantities purchased by EGC
are partly those outlined in the previous section, partly the black
market that developed in March as soon as there was an apparent
shortage of grains in Addis Ababa. Merchants offered higher prices
than those offered through EGC which led to a strong upward pressure
on retail prices in terminal markets. Yet most merchants carried
small stocks and tended to dispose of them as soon as possible and
in small lots. Grains that previously had reached the market in
Addis Ababa by truck now arrived there on donkeyback.

A contributing factor in some surplus areas like Chilalo was the
farmers' reluctance to take their grains to the marketing centre of
the package programme. They had previously purchased fertilizers
from that centre, and if they now took their produce there for sale
the outstanding credit would be deducted from the proceeds of the
sale. After the land reform there was a widespread although errone-
ous belief that all debts related to the use of land, including
credits for farm inputs, had now been abrogated.28

The government's first serious intervention in the grain trade can-
not be termed a failure by any standards. Under difficult circ-
stances over which it had no control EGC, an agency yet not benefit-
ing from the support in personnel and capital later foreseen for
AMC, increased its turnover by over 100 % while at the same time
expanding its functions into the retail trade. EGC was now for
the first time able to exercise some influence on grain prices.
In 1975/76 it handled perhaps 25 % of the totally marketed volume
of grains, a significant increase over previous years.

However, when viewed in the wider perspective of what it had set
out to do, namely encourage marketings and reduce shortages in
deficit areas, the outcome of the government's intervention in gen-
eral and its now price policy in particular appears less encourag-
ing.

Grain is by far the largest and most important commodity traded with-
in Ethiopia, and price developments in the grain trade will have
effects important on prices for other goods. At the outset of the season, the government, albeit somewhat half-heartedly, adopted what may be termed a "high price policy" for food grains as a stimulus for production. Because of an array of problems, some difficult to foresee and avoid, others not so difficult to foresee and seemingly easy to avoid, the marketed surplus became considerably smaller than anticipated creating black-marketeering and further upward pressure on the already high grain prices. For this and other reasons prices rose on other goods also. In rural areas farmers suffered from these price increases and concomitant shortages of goods, but the urban consumers suffered more.

In November there did not seem to be much improvement in sight. Government sources variously put the import needs for 1977 between 300,000 and 400,000 MT or considerably above the World Bank's earlier forecast (footnote 17), citing increasing on-farm consumption, late plantings, and irregular rainfall as the main reasons. It seemed clear that the country would have to become accustomed to being a large net importer of food grains for the next several years to come.

8 THE SITUATION IN ADDIS ABABA

In Ethiopia as in many other developing countries political power is heavily concentrated to the capital. There are the decision makers and the educated elites who are able to influence, directly or indirectly, the making and unfolding of political events. There are the students who by taking to the streets can manifest their displeasure and bring their influence to bear on the government's decision making. There are also masses of workers and urban poor who by acting in concert can contribute to creating a situation in which the government might feel heavy pressure. There are the foreign residents, including diplomats and journalists, who can add to this pressure by reporting events abroad, thereby indirectly threatening the government with a loss of face in the international community of nations.

The urban masses had indeed made their presence felt in the spring of 1974 when the powers of Haile Selassie's regime were rapidly eroded. The new government's respect for the students, who in
Ethiopia have a long tradition of political activity directed against the sitting government, helped prompt the student campaign (footnote 9). The new government had itself in the past benefited from the population of Addis Ababa and is all too well aware that its situation rapidly could become precarious, if it again became possible to rally the masses in the capital around a single cause.

By contrast, the political clout of the rural population has in Ethiopia always been small. During the famine ensuing from the drought there were rarely riots or campaigns by the starving people in rural areas. The Ethiopian rural masses have traditionally been subservient and without significant ability to influence events in Addis Ababa. The capital has a population of about 1.1 million equivalent to only some 4% of the total population of the country. Yet the inhabitants of the capital are in a position to influence political events in the country in a manner that the rural residents are not. Despite the new government’s commitment to an improvement of the lives of the rural poor, its land reform, and a cautious trend toward a decentralization of public administration, this is as true in Ethiopia today as it was in the days of Haile Selassie.

Being well aware of this situation, the government in the spring of 1976 was much concerned about the inability of EGC to meet its purchasing targets. Members of the ruling military junta or "dergue" intervened personally in efforts to explore the reasons for the shortfalls and on several occasions toured the traditional surplus areas visiting EGC purchasing stations.

The government had little possibility to enforce its price policy at anything but the point of a gun, but in July it did resort to just that: seven merchants were executed for alleged hoarding and overpricing of grain. The government was becoming desperate in its efforts to arrest the price increases in the grain trade and the ensuing discontent among the urban masses. In at least one case a merchant was executed for hoarding no more than 200 quintals of grains.

Newspaper accounts indicate that the executions served their purpose, and that prices fell to "all-time lows" as other merchants,
mindful of the ruthless determination of the government, rapidly dumped their wares. That it was indeed a question of dumping is indicated by the case of one merchant who "dumped tons of grain in nearby ditches during a heavy rain". The long-term effects of this dumping will, of course, be limited if merchants have only held small stocks, and the execution of a dealer who has speculated in 200 quintals tends to indicate that this is the case.

Without directly saying so the government has been asking the urban population in general and in Addis Ababa in particular to pay the price of the revolution and its reforms in favour of the rural poor. A relative increase in the price of food grains will likely be a permanent result of the land reform and of a more producer-oriented grain price policy leading to an improved income distribution.

It is now an open question and an interesting point of analysis for observers of the situation in Ethiopia whether the government will succeed in convincing urban dwellers that they have to carry the burden for the advances made by the farmers in the form of higher prices on the goods brought in from the countryside. The urban elites’ solidarity with the rural poor, much publicized in the form of calls for land reform in the beginning of the revolution, might well wear thin if reduced to bread-and-butter issues like the prices and availability of food staples. The government is practicing a policy of austerity with regard to salaries in the civil service, and all salary increments on monthly salaries above E$285, i.e. for all senior and most middle level staff, are banned. The starting salary of, for instance, a fresh university graduate is still at the same level as it was three years ago at about E$550 per month, although retail prices have increased by over 45% in those three years and are still rising. Salaries and wages for most categories of manual workers have not risen at the same rates as prices.

Meanwhile, the military has become considerably less popular in the capital than it was when it assumed power from the Emperor in 1974, and due to its erratic and repressive stewardship the government now has few friends in any social stratum. Will price developments in Addis Ababa affecting a few per cent of the nation's popula-
tion contribute to bringing down the government?

In November there was no mistaking the mounting opposition against the government in Addis Ababa. An underground opposition movement had launched an assassination campaign against senior government officials, and the government responded in kind with mass executions, widespread searches for arms and ammunition, and wholesale arrests. Much of the discontent could be traced to the educated elite and those same students who only 18 months earlier with fervour had carried the government’s message of land reform through the countryside.

The paradox of the Ethiopian situation is that the badly needed and long awaited reforms undertaken by the government in a genuine spirit of solidarity with the large masses of the population, namely the rural poor, are now contributing to undermining the regime’s political support where this support is most important, namely among the urban masses constituting but a few per cent of the nation’s population. It is yet another example that policies of governments in developing countries carry little weight in the national political context, unless the small part of the population living in the cities - and in Ethiopia this is a particularly small part - has already been appeased.
FOOTNOTES

1) All Ethiopian statistics, including those on population, are very sketchy and inaccurate. The total population in the country in mid-1976 may be estimated at 28.5 million, of which 25.2 million live in rural areas and 3.3 million in urban agglomerations defined as towns and villages with more than 2,000 population. The total population is believed to increase at an annual rate of 2.4 %, while the urban population prior to the land reform was increasing at a much faster rate or over 6 %.

2) One quintal (qt) is equivalent to a dociton or 100 kg

3) The subdivision into local government administrative units is as follows: provinces, teklay gizate, of which there are 14 in the country; sub-provinces, awrajas, of which there are about 100; districts, weredas, of which there are over 500. By way of illustration of the size of these units, Chilalo awrajas is thought to have a population of about 450,000 and measure 10,000 sq km.

4) The full names of these programmes are: Chilalo Agricultural Development Unit (CADU) and Wollamo Agricultural Development Unit (WADU). The CADU project, being the larger and better known of the two, has been widely debated and discussed with regard to its methodological approach to rural development. On CADU see: John M. Cohen, "Rural Change in Ethiopia: The Chilalo Agricultural Development Unit", Economic Development and Cultural Change, XXII, 4(1974), pp. 580-614.

5) Assuming an average household size of 5.5, the number of farm households may be estimated at 4.6 million.

6) Data on the production and consumption of cereals, oilcrops and pulses are difficult to obtain and subject to wide error margins. The best available estimates are the following, supplied by J. Dalton of the Economic Commission for Africa. The figures relate to 1974/75 which is assumed to be a "normal" year ('000 MT):

<table>
<thead>
<tr>
<th>Cereals</th>
<th>Pulses/Oilcrops</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (after deduction of 17 % for seed, feed and waste)</td>
<td>3,780</td>
<td>705</td>
</tr>
<tr>
<td>On-farm consumption</td>
<td>2,666</td>
<td>159</td>
</tr>
<tr>
<td>Rural non-farm consumption</td>
<td>482</td>
<td>52</td>
</tr>
<tr>
<td>Nomad consumption</td>
<td>100</td>
<td>-15</td>
</tr>
<tr>
<td>Urban consumption</td>
<td>539</td>
<td>86</td>
</tr>
<tr>
<td>Implied foreign trade</td>
<td>6(Exp)423(Exp)</td>
<td></td>
</tr>
<tr>
<td>Total consumption</td>
<td>3,780</td>
<td>705</td>
</tr>
</tbody>
</table>

Total exports and imports of cereals, pulses and oilseeds 1965-1973 were the following ('000 MT):
Year

a) Exports
Cereals  -  0.1  0.4  1.3  3.9  2.9  5.3  5.2  7.8  7.2
Pulses  52.7  67.7  69.1  74.6  78.6  59.5  53.6  76.7  114.1  116.5
Oilseeds  -  54.0  57.8  45.4  56.1  46.3  63.3  88.4  96.7  103.3

b) Imports
Cereals  27.2  50.7  28.6  21.7  28.3  71.2  45.5  5.9  14.7  121.3

a) Actual exports were about 210,000 MT which suggests that either production has been overestimated, consumption underestimated or that this year has not been "normal". In any event, this must be considered to be within the error margin of these very approximate calculations.

b) Almost exclusively wheat and wheat flour.

c) Including about 120,000 MT relief grains.


8) While the formation of peasant associations doubtless was rapid, the claim of the Ministry of Land Reform that 18,000 peasant associations with a total membership of 4.5 million farmers had been formed as of September 1975 must be a gross exaggeration. This would include almost all the nation’s farmers and include areas that would be inaccessible for reasons of lack of roads or security. The claim may include associations formed on paper only from land or tax registers.

9) Under the student campaign some 57,000 senior secondary school and post secondary school students had been assigned to the countryside to help promote the ideals of the revolution among the farmers, including implementation of the land reform. Another and less altruistic explanation for the student campaign was that the government wanted to disperse the students and deprive them of the possibility of demonstrating in the streets in the classic tradition of Ethiopian students at a time when the government wanted time and peace to conceive and implement its new policies.

10) Immediately following the reform EPID was instructed to launch a campaign through MPP and the comprehensive projects to collect the tractors and implements of the former commercial farms and use them to plough the lands of these farms with a view to mitigating short term negative effects on production. The ploughing and later seeding of these lands was done on land that was to be left as state farms and on land used by former tenants and landless workers who had resettled there, often spontaneously. These former tenants and landless workers had in the past been provided with oxen and seeds by their landlords, and these inputs were no longer forthcoming after the reform. The campaign was largely successful and totaled about 90% of all normally
cultivated land was put to crops. The campaign was followed up in 1976 by a programme under which it was planned to distribute some 35,000 oxen on loan to former tenants.


12) International Bank for Reconstruction and Development, op cit. US $ 1.00 = E$ 2.07

13) It is, of course, difficult to isolate the effects of produce prices from other determinants of farmers' demand for fertilizer. However, the following data from CADU serve to illustrate the correlation between input demand and grain prices:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of input sales by CADU</th>
<th>Wheat price paid by CADU to farmers, E$/st</th>
</tr>
</thead>
<tbody>
<tr>
<td>1969/70</td>
<td>4,769</td>
<td>23.90</td>
</tr>
<tr>
<td>1970/71</td>
<td>14,146</td>
<td>23.15</td>
</tr>
<tr>
<td>1971/72</td>
<td>12,642</td>
<td>19.00</td>
</tr>
<tr>
<td>1972/73</td>
<td>13,702</td>
<td>13.13</td>
</tr>
</tbody>
</table>

Through 1970/71 farmers' demand for fertilizers grew as CADU expanded its programme in Chilalo and successfully demonstrated the effects of improved inputs. However, despite continued expansion and intensification of CADU in the two subsequent years, the low levels of grain prices in these two years contributed to keeping fertilizer demand at lower levels than in 1970/71.

14) The proposal made by the World Bank for the grain marketing and storage project was approved by the Council of Ministers in April 1976 with only minor modifications. However, the negotiations that were subsequently held in Addis Ababa in June between the government and the Bank broke down because of a hardened stand taken for apparent political reasons by the government. Since that time discussions regarding the project have continued between the government and the Bank, but no decision regarding finance for the project was at hand as of late autumn.

15) Although the financing of the grain marketing and storage project at present (November 1976) is unclear, the objectives of the government's intervention into grain marketing remain valid.

16) Production of grains, oilseeds and pulses from state farms in 1975/76 has been estimated at about 150,000 MT. If Dalton's estimate of the marketable surplus earmarked for urban consumption of about 624,000 MT is accepted (footnote 6), slightly less than one-fourth of this surplus would originate from large-scale state farms, the remaining three-fourths being generated from smallholder production.

18) In February 1976 the wholesale price for wheat in Addis Ababa was about 50 % of parity price for imported wheat.

19) According to EPID's recommendations to farmers, 50 Kg Urea should be added to the one quintal of Diammoniumphosphate in the case of maize, raising the cost per hectare of fertilization to about E$75. The benefit/cost ratio has also been raised to 2.5:1 to better reflect the potential for yield increase for this crop.


21) As shown above (footnote 6), almost all grain imports to Ethiopia are in the form of wheat.

22) The average sale of inputs, almost exclusively fertilizer, made under MPP in 1975 was 1,01 quintal against 1.38 quintals in 1974. It should be noted that these comments refer to the 1975 input sales season, which preceded the adoption and implementation of the government's new grain price policy.

23) The Ethiopian Herald of 4 June 1976 and personal information from EBC.

24) There was no collection of land tax in 1975. In January 1976 the government proclaimed a new agricultural income tax and land tax legislation very biased in favour of the farmers; most observers called it a "weak" piece of legislation. In the spring of 1976 the government was worried that not even the new law led to any appreciable tax revenues from the countryside.

25) In the absence of any military success in the continuing war with secessionist guerrillas in the north, the government in March and April tried to mount an old style peasant march on the north. Hundreds of thousands of peasants were to have been mobilized but the numbers of those who actually did participate were much lower. The peasants were routed in one battle after which the campaign was discontinued.

26) One fersedula measuring 17 kg is a traditional Ethiopian unit of measurement.

27) This index rose from January through September 1975, the previous year, by 22.8 % and during the same period in 1974 by 0.4 %.

28) As of 7 July 1975 53.4 % of credit granted to farmers under MPP in the previous year was still outstanding; on 7 July 1974 the corresponding figure was 12.0 %.

29) Since the drought the government had consistently overestimated its deficit of food grains attempting to secure as much grains as possible on lenient relief terms. These estimates also seem to be gross exaggerations, i.a. because the ports and transportation systems could not possibly handle such grain quantities. However, it is significant that the government
itself admits to even higher grain deficits than the World Bank had earlier anticipated, as this will only lend further support to the rationale behind the grain price policy advocated by the Bank.