

## Paper ID : The Challenges of Producers' Organizations in impacting members' productivity and commercialization: Evidence from Ethiopia

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### Introduction

Producers' Organizations (POs) involved in staple crops marketing in Africa/Ethiopia are characterized by poor performance

- Only 10% of food grains in Ethiopia pass through cooperatives (Bernard et al. 2010)
- 20% of all registered village organizations in Senegal and Burkina Faso had not undertaken any transaction (Bernard et al. 2008)

Moreover, the management of these organizations is weak, membership rates are low and the organizations are financially constrained.

As a result their impact on smallholders' commercialization is very modest and mixed

In this study, we use panel data collected in Ethiopia to further disaggregate the impacts of market-oriented producer organizations and explain why the POs are weak and less competitive.

### Materials and methods

We collected a unique data set from 1023 farm households in central and southern Ethiopia in 2012 and 2014.

Outcome variables such as marketable surplus, productivity and area share of major crop are used to compare

- Members and non-members from the same village,
- villages with at least one FMO and villages without FMO

We use a difference-in-difference approach on matched samples based on baseline information

Covariates are included to control for time varying observables differences

### Acknowledgements

We thank the Netherlands government for financing the data collection through a project aimed at evaluating the impact of civil societies to achieve MDGs in Ethiopia.

### Results

The result indicated that while village level impacts are significant, membership impacts are not significant at all (see Table 1).

Outcome variables	Villages with at Villages			
	Members	Non-members	least one FMO	without FMO
<b>Area share of major crop</b>				
Mean difference (2014-2012)	-0.024	-0.045	-0.041	-0.11
Difference-in-difference		0.021		0.07**
<b>Productivity of major crop (ton/ha)</b>				
Mean difference (2014-2012)	-0.9.03	-1.235	-1.04	-1.97
Difference-in-difference		0.332		0.931*
<b>Share of marketed surplus</b>				
Mean difference (2014-2012)	0.082	0.050	0.077	0.136
Difference-in-difference		0.032		-0.059

*p<0.1; \*\* p<0.05 \*\*\*p<0.01*

The impacts are generally weak but the village level impacts are stronger than membership impacts.

This is consistent with the observation that many of the cooperatives in Ethiopia provide public service that benefits all the village farmers irrespective of membership.

Fertilizer distribution , stabilization of local prices are the major services they are providing to all farmers

This might be due to excessive interference of government officials and considering them as public service providers to the community as opposed to club services provider to members only

### Implication

#### Policy

- If cooperatives provide public service to all farmers irrespective of membership or without exclusion, then members will not be willing to invest their resources
- This will lead to underinvestment and limited commitment by members and the cooperatives remain weak and less competitive

#### Research

- The weak/mixed impact of POs membership that we observe in many previous studies is due to inability of capturing the village level impacts
- Further research is needed to verify the importance of club service for cooperatives competitiveness

### References

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