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Wheat value chain analysis in Bale zone, Ethiopia

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Abstract

Value-adding to agricultural commodity is a means to increase farm incomes and to regenerate rural economy. Although farmers are the primary producers and actors of wheat, they were not able to share from the growing market benefit of the product in Ethiopia. This study was aimed at analysing value chain of wheat in Bale zone with the specific objectives of identifying wheat value chain actors and their respective functions, analysing marketing margin of wheat value chain actors and identifying the determinants of wheat market supply by producers. The data were obtained from both primary and secondary sources. The primary data for this study were collected from 201 farmers, wheat traders, wheat processors and wheat consumers following appropriate sampling procedures. Descriptive statistics and Two Stage Least Squares of econometric model were used to analyse the data. Margin analysis was used to estimate the share by each actor involved in wheat value chain. From the result, producers are not governing the value chain. Hence, they are price takers and the whole wheat value chain is governed by processor. The results of margin analysis revealed that 22.29% and 26.80% share of margin and profit were captured by wheat producers and 36.63% and 34.76% share of margin and profit were captured by wheat processors respectively. The result of Two Stage Least Squares indicated that quantity of wheat produced, sex, memberships to cooperative, lag price of wheat, family size and farming experience significantly influenced volume of wheat sold to market. Policy implications drawn from the study findings include the need to improve the input supply system, improving farmers' know how and experience on wheat production, encouraging females productivity, improving productivity of wheat, strengthening the linkage among wheat value chain actors, encouraging farmers to be member of cooperative, concerning bodies should provide last year price information in the market, strengthening poor profit share and strengthening family planning programmes to reduce the amount of wheat consumption at household level.

Keywords: Cost benefit share, Ethiopia, marketing margin, two-stage least square, value chain analysis, volume of wheat sold