Ethiopia has made considerable progress toward food security since the 1984 famine captured worldwide media attention. Almost 30 years after that calamity, Ethiopian per capita income has increased, poverty has fallen, food security has improved, and the groundwork has been laid for sustained economic growth.
One reason for Ethiopia’s recent economic success has been sustained agricultural growth, which averaged 2.9 percent in the 1990s and 6.2 percent in the 2000s. Sustaining and building on the progress made toward national and household food security will involve investing in agricultural productivity and nonfarm economic opportunities, promoting efficient markets, expanding the transportation and communications infrastructure, maintaining macroeconomic stability, and further improving social safety nets and disaster response mechanisms.

Factors behind Ethiopia’s recent successes, assessments of ongoing programs’ performance, and options for future policies are explored in the book Food and Agriculture in Ethiopia: Progress and Policy Challenges, edited by Paul Dorosh and Shahidur Rashid and recently published by the University of Pennsylvania Press for IFPRI. The book examines the Ethiopian economy, particularly Ethiopian agriculture, during the first decade of the 2000s and identifies ways of further reducing poverty and promoting economic growth and food security.

ETHIOPIA’S FOOD ECONOMY

Food production, consumption, and markets in Ethiopia reflect the enormous diversity in agro-ecologies, population densities, and road networks across the country. Most agricultural production takes place in the highlands of Ethiopia, where five major cereals—teff (Eragrostis tef), wheat, maize, sorghum and barley—and enset (Ensete ventricosum) are major staples and play dominant roles in cropping systems depending on elevation, rainfall, and market access. For rural areas as a whole, wheat, maize, and sorghum each account for about 10 percent of total food expenditures of both the poor and nonpoor, with substantial regional variation (Figure 1). In contrast, teff accounts for about 15 percent of total food expenditures in urban areas, with more than 10 percent of cereal expenditures on processed cereals (mainly flour).

Livestock (mainly cattle, sheep, and goats) raised throughout the highlands as well as in the drought-prone lowland and pastoralist areas accounts for about one-fourth of agricultural GDP. This diversity makes Ethiopia’s agricultural and food economy especially complex and necessitates a regional approach to agricultural development and food security.

Increased use of fertilizer was a major factor behind increases in cereal production in the 2000s, though less than half of farmers used fertilizer in 2007/08. Moreover, very little land is irrigated and the use of improved seeds remains low. Nonetheless, increased cereal production has led to considerably higher market volumes and there is substantial evidence of improved market integration due to improved roads and telecommunications (including mobile phones). These gains in domestic production and improvements in markets are reflected in various measures of consumption and food security. Calorie malnourishment fell from 65.9 percent to 46.0 percent between 2000 and 2005, and the prevalence of underweight children under five years of age fell from 47.2 to 38.4 percent over the same period.

Despite these positive trends, food insecurity and malnutrition remain significant problems. Although major famines such as those in the 1970s and 1980s have not recurred, localized food shortages have occurred.
AREAS FOR FUTURE POLICY INITIATIVES

Addressing existing problems and promoting economic progress require initiatives in five areas:

1. **Sustaining growth in crop and livestock production.** Model simulations suggest that if agricultural growth can be maintained at 6 percent per year, an additional 3.7 million people would be lifted out of poverty by 2015, as compared with a business-as-usual scenario. Achieving this high rate of agricultural growth will require considerable effort, however. Land and water constraints will make it difficult to achieve either crop or livestock production gains in the highlands regions, where most Ethiopians live, without major investments in productivity-increasing technologies such as improved seeds and veterinary services, extension, and small-scale irrigation.

In drought-prone highland areas, promoting nonfarm activities may be the best way to increase food security. Newly cultivated lands in nonhighland rainfall-sufficient areas offer some prospects for national production gains, but infrastructure and marketing constraints must be overcome, and great care will be required in those areas to avoid environmental degradation.

2. **Increasing market efficiency.** Domestic markets for agricultural commodities have grown exponentially over the past two decades. Efficient market functioning depends on the adequacy of infrastructure, information, and institutions, though, and Ethiopia’s record in these areas is mixed.

Physical infrastructure has improved significantly between 1991 and 2008: expansion of the road network and moderate growth of cities has increased the share of the population that lives within five hours’ travel time of a city of at least 50,000 people, from 33 percent to 62 percent. Electricity generation capacity more than doubled between 1991 and 2009. Telecommunications still lags behind, however. Despite increases in cellular phone ownership over roughly the past 10 years, only 2 percent of Ethiopians owned a cell phone in 2008, compared to over 40 percent of Kenyans.

Institutions can also benefit from further development. One important market institution, the Ethiopian Commodity Exchange (ECX), was launched in 2008. Almost all of Ethiopia’s coffee exports flow through the ECX, but the ECX has not yet fostered the desired cereal-market development. Consistent government policies to enable the private sector to thrive alongside public-sector market institutions and cooperatives could help accelerate agricultural development in Ethiopia as it did in many of Asia’s most successful countries.

3. **Providing effective safety nets.** Increasing food security for many asset-poor households requires effective disaster response policy and safety nets. Successful responses to past food emergencies have included early warning systems, well-managed grain reserves, and distribution of food and cash in ongoing safety-net programs.

The Productive Safety Net Programme (PSNP), introduced in 2005 as an alternative to annual emergency-food-aid distribution, has proven very effective in targeting poor households with food and cash transfers, as well as building local infrastructure through a work requirement for those recipients who are able to work. Econometric estimates derived from household surveys indicate that households in the poorest 40 percent of the household expenditure distribution receive more than 60 percent of total PSNP transfers. Research has also shown that programs to offer credit, skills training, and other services have been effective as complements to cash and food transfers in building participant households’ assets and livelihoods.

While it may not be the dominant policy instrument to address major production shortfalls, emergency food aid likely will still be required in some years. A decentralized public response system is also necessary to ensure timely responses to serious hunger threats before dire famine conditions emerge. Along with such public support, commercial imports can make a major contribution to the food supply, provided that government policies on the timing and levels of food-aid inflows and distribution are transparent, so as to provide clear signals to the private sector.

4. **Maintaining macroeconomic incentives and stability.** Ethiopia has enjoyed significant macroeconomic stability over much of the past 20 years, particularly during the 1990s. In more recent years, however, agriculture and food security have suffered from two episodes of macroeconomic instability. The first episode was a period of high domestic inflation in 2007–09 that affected prices of major food staples. The rate of food...
price inflation increased from only 2 percent during fiscal year 2003/04 to 78 percent during 2007/08. The second episode was a foreign exchange shortage in 2009–10 that led to foreign exchange rationing, major disincentives to production of agricultural export crops, and lower real incomes for farmers.

Ethiopia restored broad macroeconomic stability by late 2009 through fiscal and monetary measures that included sharp restrictions on domestic credit and a gradual devaluation of the Ethiopian birr relative to other currencies. Domestic inflation increased again in 2010, however, as credit increased rapidly. Preventing further crises and achieving sustained macroeconomic stability will be crucial to the success of Ethiopia’s growth and poverty-reduction efforts.

5. Managing the rural–urban transformation. Ethiopia is one of the least urbanized countries in the world: urbanization stands at 16 percent, well below the regional average of 30 percent for Africa south of the Sahara. This low urbanization rate may inhibit overall economic growth, however, because urban areas can foster productivity gains by facilitating flows of information, allowing firms to increase their scale of operation, and providing larger and potentially more efficient labor and product markets.

The low urbanization rate is partly due to government land policy. For almost 40 years, the government has owned all Ethiopian land and has attempted to provide the people with free and equal access to land usage. Land policy (under which land users cannot sell, exchange, or mortgage their land-usage rights) discourages urbanization because households stand to lose a major asset if they leave rural areas. Moreover, lack of secure land rights can discourage productivity-increasing investments in land.

Measures that facilitate sale of land or avoid loss of land usage rights for those who migrate could accelerate rural-urban migration and potentially increase economic growth. For example, providing farmers with legal certification of their rights can decrease farmers’ perceived risk of eviction and encourage investment in soil and water conservation and land productivity. Ultimately, an appropriate balance is needed between rural and urban public investments so as to facilitate both economic growth and overall poverty reduction.

Agricultural growth has significantly improved over the past two decades. Agricultural growth has been a key part of this progress and will need to be maintained if the country is to build on this past success and sustain rapid overall growth while sharply reducing poverty in both rural and urban areas. Research into agriculture and food security can further this objective by informing effective policymaking in the five areas identified above. Successful policy will not only avoid large-scale famines if and when major production shortfalls occur but will also lead to sustained improvements in food availability, access, and nutrition at the national and household levels.