

Profitability and market performance of smallholder vegetable production: evidence from Ethiopia

ABSTRACT

Regardless of the fact that the vegetable crop is crucial for Ethiopia's economy, public research on vegetable crops was negligible and limited attention has been given to the sector. The main objective of the study was to analyze profitability of vegetable production, market performance and identify major constraints of smallholder vegetables production, specifically potato, tomato and cabbage. A multi-stage sampling procedure was employed to select 420 sample households randomly from nine kebeles, and 139 traders were selected purposively. Both qualitative and quantitative data were collected from primary and secondary sources by using structured questionnaires. Descriptive statistics, gross profit formula and structure-conduct-performance model was applied to analyze the data. The result of profitability analysis showed that potato, tomato and cabbage production in the study area was profitable. The result of structure analysis indicated that the market structure for potato, tomato and cabbage was characterized by weak oligopolistic market. The analysis of market conduct showed that the price of vegetables was determined by traders. Performance analysis demonstrated that the total gross marketing margin and profit margin was highest when producers sold vegetables to consumers and the lowest when they sold vegetables to collectors across the channel. Shortage of inputs, pests and diseases, lack of improved storage, post-harvest loss, brokers' interventions, low price of the product, poor transportation facility and information flow were the major constraints. Therefore, policy initiatives aiming at increasing farmers' access to quality vegetables inputs strengthen vegetable extension services, improving infrastructure, disseminating reliable market information, reducing unfair profit distribution and increasing bargaining power of farmers to accelerate rural economic growth and poverty reduction. In addition, research institutes and universities should significantly contribute in releasing high yielding and disease resistant varieties to improve production and productivity of vegetables sector.

Keywords: Ethiopia, Market performance, Profitability, Vegetables, Smallholder farmers