

Title The role of marketing cooperatives in the bargaining position of producers in farm-gate banana prices: evidences from smallholders in southern Ethiopia

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Abstract

As in many developing countries, agriculture in Ethiopia remains the dominant occupation and its well-being is crucial to the economy. Major proportions of the population still depend on the agricultural sector albeit the sector is characterized by production of traditional crops for decades. A shift from traditional crop production to high value crops is considered as an important and alternative option in increasing smallholders' income in particular and rural development in general. Promoting small-holder production of export crops is regarded as having a positive spillover effects on input use and food crop productivity, improving market integration and access, and having valuable impacts on the food security and income of small-holder farmers. Of particular importance in the fresh fruit sector in Ethiopia is the potential of banana production and marketing. A hug demand for banana and the market potential in the Middle East and Europe can make the sector significant, compared with others. However, banana production and marketing is still traditional and faces different constrains, such as integration of small-holders into regional and export markets, weak bargaining power coupled with lack of appropriate marketing cooperatives, absence of competitive buyers, and entry barriers and price information asymmetry. Recently, recognizing the role of marketing cooperatives, producers have started to organize themselves and are trying to penetrate the domestic central markets as well as improve their bargaining power. This paper empirically investigates farm-gate banana price-negotiation under asymmetric information using a bilateral bargaining model. It tried to show how memberships in cooperatives affect the bargaining power of small-holders. A regression analysis reveals that cooperative membership positively and significantly affects the bargaining power of small-holder banana growers. The result also confirms that access to central market price information and past trade relationship enables farmers to stick to their initially asked price while they are less committed to their initially asked price when the merchant speaks out the transaction price first.