

## Chapter 48

# The Role of Agricultural Production and Trade Integration in Sustainable Rural Development: Evidence From Ethiopia

**Henrietta Nagy**

 <https://orcid.org/0000-0001-9732-9926>

*Szent Istvan University, Hungary*

**György Iván Neszmélyi**

*Budapest Business School, University of Applied Sciences, Hungary*

**Ahmed Abduletif Abdulkadr**

*Szent Istvan University, Hungary*

### **ABSTRACT**

*Ethiopia is the second-most populous country in Africa with rainfed agriculture as a backbone of its economy. Most of the population, 79.3%, are rural residents. Sustainable rural development can be achieved if great attention is given to the labor-intensive sector of the country, agriculture, by improving the level of productivity through research-based information and technologies, increasing the supply of industrial and export crops, and ensuring the rehabilitation and conservation of natural resource bases with special consideration packages. The improvement in agricultural productivity alone cannot bring sustainable development unless supported by appropriate domestic and international trade. The main objective of this study is to identify and examine key determinants that influence agricultural productivity to assure food security, as well as to analyze domestic and foreign trade in agricultural products in Ethiopia.*

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## **INTRODUCTION**

Agriculture remains to be the key for all development aspects in developing countries. It plays a significant role as source of employment, gross domestic product (GDP), and foreign earnings through export. With the increase of the world's population, the need for food is expected to rise. It requires the productivity of agricultural sector to grow. The issue of poverty reduction has been a central point in many countries in order to assure the sustainability of the livelihood of smallholder farmers while agriculture remains a solution and the focus of trade and sustainable development nexus. Brooks (2012) points out that smallholder development is the key to reduce poverty, while Le Goff and Singh (2014) indicate that trade has a positive impact on poverty reduction. According to Markelova and Mwangi (2010), sustainable agricultural growth needs the application of different approaches to the smallholders, as well as requires access to market where the smallholders can sell and make profit out of it which in turn will positively affect the investment of smallholders on enhancing agricultural productivity.

Agriculture is the mainstay of most of the Ethiopian community (79.3% of which is rural involved in agricultural production one way or another), main source of food and cash. The increase in the productivity of agricultural production has a significant impact on the welfare of rural people (Urquia Grande & Rubio-Alcocer, 2015; Abro, Alemu, & Hanjra, 2014). Most of the households get the food they consume and cash they need from agricultural sector to cover other needs to survive. Agriculture is the main potential industry for the overall development of the nation where many other economic activities depend on agriculture, including the processing industry and foreign trade. Most of the commodity exports is generated by smallholders.

The main aim of this study is to critically understand the challenges of agricultural productivity and market, and the role the market plays in enhancing the productivity and sustaining the livelihood of rural farmers which is very important for the overall development efforts of any country. Especially in least developed and developing countries where the share of agriculture in the economy is higher compared to developed states, sustainable agricultural intensification and improving the market system play a prominent role in achieving the goals of becoming a middle-income level country and beyond.

This study attempts to identify and examine key determinants that influence agricultural productivity to assure food security, analyze trend of main agricultural products, domestic and export trade status of the country. A mixed (qualitative and quantitative) research approach is carried out basically to take the tenets of the two approaches. Besides, explanatory research design is employed to describe the analysis that in turn employs document analysis, graphs, charts, and tables to analyze the secondary data obtained from National Bank and Central Statistical Agency of Ethiopia.

## **BACKGROUND**

Agricultural products are the main sources of food, feed, and industrial inputs. In the developed world, where food demand is increasing in a lesser extent compared to developing countries, the demand for agricultural products such as maize, vegetable oils, and sugar cane has increased for biofuel usage. On the other hand, the increase in income in emerging economies has changed the need for agricultural food consumption. According to Food and Agriculture Organization of the United Nations [FAO] (2018a), the global total consumption of meat and fish is expected to increase by 15% by 2027 while global demand

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