

## Vietnam can be an example for Ethiopia. *Land property and investments as accelerators for enterprising farmers.*

11 September 2017, by Robert van den Heuvel



Ethiopia made big leaps forward in recent years and has many opportunities ahead. Since May of this year Ethiopia is the biggest economy in Eastern Africa. And Ethiopia has the potential to become the food basket for the region. Agriculture was, and remains an important driver for Ethiopia's economy. Farmers play a pivotal role in Ethiopia's next chapter. However, in my opinion some changes are needed in order to make the next steps. During the last years I worked in Ethiopia and in Vietnam on agriculture business development. Ethiopia can learn a lot from Vietnam; a country with which Ethiopia shares several similarities.



### Two economies in parallel

The current Ethiopian agriculture landscape shows roughly two extremes: The first one is a limited number of big - often foreign-owned or financed - commercial farms, which produce for international markets and partly for the domestic middleclass. The second group consists of millions of smallholder farmers (less than 0,5 hectare per farmer), who produce for the local market. In practice all these farmers - big farmers and smallholder farmers - form two separate economies. A couple of hundreds commercial farms run more or less independently from the millions of smallholder farmers.

The (big) commercial farms have access to large pieces of land, the latest technical innovations, tax privileges, professional management and ability to scale. Smallholder farmers only have short-term land use rights, if any. They hardly have access to credit, quality seeds & inputs, and state-of-the-art knowledge.

## Two economies run in parallel *Commercial Farms vs Smallholder Farmers*

| Key Success Factor       | Commercial Farm   | Small holder Farmer   |
|--------------------------|---|---|
| Pace                     | Fast innovation, state-of-the art   | Limited and less scaled improvement   |
| Proposition              | Export and domestic middle class market   | Domestic market   |
| Professionalism          | Good education, training and entrepreneurship   | Less skilled, dependent on scattered NGO-initiatives  |
| Productivity and Quality | High and improving productivity: better seeds, input, international support. Economies of scale | Low productivity, low quality, post-harvest losses  |
| Price                    | Fixed prices, export revenues, contracts  | Price volatility  |
| Privileges               | Access to finance, access to land<br>Import of high-Q seeds, inputs and services                | Hardly access to finance<br>Dependent on credit, seeds and inputs via government schemes. No land ownership |

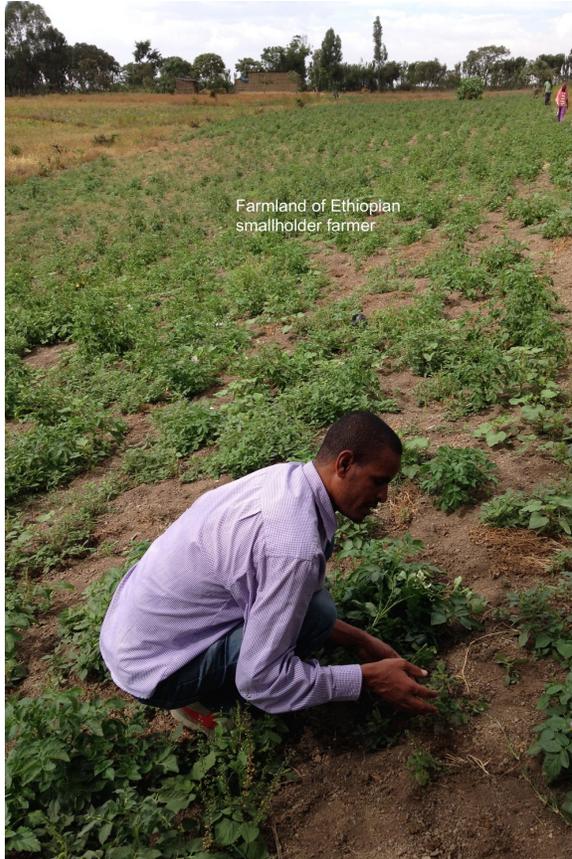
- Smallholder farmers are uncertain on their position and do not get the maximum out of their potential
- There is a serious gap between commercial farms and smallholder farmers.
- These smallholders are needed to feed the country and to grow Ethiopian agriculture for export.
- By bridging the gap Ethiopia becomes food secure, builds up a strong export proposition and develops a more coherent and balanced agriculture sector.
- Be more inclusive for the potential smallholder farmers. Within 5 years the majority of commercial farms and seedling farms must be run by Ethiopian farmers.



This difference has consequences for the micro/farm level (productivity/yield per hectare), meso level (strength of agro value chains) and macro level (feeding the Ethiopian people, export position and knowledge exchange). More integration, exchange of techniques and knowledge, and level playing field are needed.

This integration and exchange amongst farmers benefit both groups of farmers, because it leads to a more mature agriculture, a decrease of the annoying price volatility, and less post-harvest losses. Worthwhile investments in infrastructure, irrigation, international partnerships and processing industry will make the whole agricultural sector more efficient and competitive. It leads to a boost of the consumption by the domestic middleclass and export to the region and Middle-East. Fruit, vegetable, dairy and meat become available for bigger groups of Ethiopian consumers.

A successful merger of these two economies - by giving smallholders access to long-term land use, finance, knowledge and quality inputs - will determine the success of Ethiopia as an agriculture power house. Land property is an important driver to close the gap.



### Land property

Land property and land expansion by smallholder farmers are the engine of a growing and more efficient agriculture. The current lack of land ownership amongst smallholder farmers blocks investment, entrepreneurship and an efficient scale. And these are exactly the key success factors in a country, which is 'on the move from a low-income country to a middle-income country', like Ethiopia. Land property, owning land to live and to farm on, means that people feel autonomous and free, that farmers invest and have collateral for a bank loan. It is a step towards growing from small farms to bigger farms, to commercial farms. Although the Ethiopian government aims to have provided 10 million pieces of land of a land-use certificate by 2020 - a first step towards land ownership - more and speed are needed.

### Vietnam and land property

Ethiopia can learn from Vietnam.

Ethiopia is moving from a state-dominated socialistic plan-economy to a market-oriented plan economy. Vietnam made this transition during the last decades. We can compare Ethiopia with the Vietnamese model. Also in terms of demographics (size, composition), governance (central, 5 year plans) and nature of the population (entrepreneurial and autonomous).

Vietnam also has a socialist-communist base & origin, and that has been converted into a highly successful market-driven plan economy. According to a survey of 2014 (*Pew Research Center, free market support Vietnam*), nowadays there is no country in the world, which embraces and support free market economy more, than the Vietnamese people do. It began in the late 80s when the Doi Moi (Renovation) was deployed. Until then, agriculture was tightly regulated; farmers were just a link in the state-controlled cooperatives and government-owned land. In 1988, more or less overnight, the government handed over the land to the people, to the

farmers via long-term land use rights. From now on, the land on which your house had been built was yours; the land, which you as a farmer were working on and harvesting from, was yours. The entrepreneurship of the Vietnamese did the rest.



*Vietnamese farmer woman in Northern Vietnam*

Unmatched productivity increase was the result. Now farmers had a collateral for a loan (long-term land use rights). Investment, production, reinvestment. And from 1993, it was also possible to sell and buy land use rights. Land became a capital asset. Scale and commercial farming took a flight in booming Vietnam.

### **Land property as entry ticket**

Back to Ethiopia. People are uncertain about their country and about their land. Many smallholder farmers hardly invest in soil, crop and irrigation because they do not know how long it is 'their' land. They mainly grow short-cycle crops such as grains and vegetables. Investing in high-quality seeds and fertilizers is difficult, and mainly the privilege of commercial farms. Farmers do not get a bank loan because of lack of collateral (read: formal land certificate). Lucrative fruit trees, which have the first harvest after three or four years, are risky. After all, before the farmer has his first fruit harvest, the government may have a different destination for the land.

Land property certificates for 22 million Ethiopian farmers can solve this inefficiency and standstill; an inefficiency, which is also the breeding ground for the contemporary conflicts. Land property combined with productivity improvement gives only winners. The local- and regional markets can well absorb the increase in productivity and higher quality products. Food security for Ethiopia's people and exports have positive spin-offs.

### **Emerging farmers**

Changing the policy of land property and granting long-term land use rights do not mean that all smallholder farmers will grow into big commercial farmers. But it gives those farmers, who have the ambition and capacity to grow, the opportunity to escape from the lock-in of having only half a hectare or less. The 'emerging farmers' can lift themselves into midsize farms, into emerging farms. They can bridge the gap between smallholders and big commercial farms. New farmer-entrepreneurs, who understand the financial business sheet and are technology savvy,

enter the scene. They use quality seeds, apply better techniques and 'make their farming measurable'. Ethiopian agriculture becomes more open. All farmers should be able to import seeds and inputs from abroad.

Also here, Ethiopia can use Vietnam as a benchmark. Vietnam has a strict, but clear and fair policy on the import of new seeds and techniques. And in this way Vietnam is very open, exploring and sharing. (International) innovations in seed, fertilizer and agricultural techniques become available for Vietnamese farmers. The many bilateral and multilateral partnerships of Vietnam illustrate its connected economy.

#### **Stability and further growth**

Ethiopians are entrepreneurial and would like to have autonomy. Farmers and growing middleclass long for more market economy and free land. In fact, having the same assets and access as the international- and commercial farms in Ethiopia have. Successful farmers ('emerging farmers') and middle class are essential to ensure stability and growth. That should be a focus of the agricultural policy in Ethiopia. It prevents conflicts and creates progress. Long-term land use (rights) or even land ownership, in combination with access to finance, knowledge and inputs, bring the two economies - advanced export-driven economy and smallholder farming - together. Then the flywheel of investing-improving-producing-consuming-earning starts to work.



*Vietnam was 30 years ago at the same junction as Ethiopia is today.  
Vietnam has shown how it works.*