

Agricultural and Applied Economics Seminar

Commodity Price Volatility and Migration in Ethiopia

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12:00 – 1:30 pm

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Despite the belief that agricultural producers in developing countries suffer from price uncertainty, little effort has been made to figure out the relationship between preference towards price volatility and rural out-migration. I model rural household's decision to have migrant members to urban areas based on the framework in which a household produces a commodity and can consume part of it. Using the Ethiopian Rural Household Survey (ERHS), I find that higher household-level willingness to pay to stabilize the prices of seven most important staples in Ethiopia at their expected values is significantly related with both higher incidences of migration, and higher number of migrants within households with migrants during 1994-97. This significant relationship is more pronounced in districts with no daily market and operating producer co-ops, and districts without programs such as food aid, food-for-work, and cash-for-work.