



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

MARKETING MIX PRACTICES AND CHALLENGES
WITH SPECIAL FOCUS ON SESAME PRODUCT
THE CASE OF ECX

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JUNE 2015
ADDIS ABABA

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BY

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**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Teklegiorgis Assefa (Asst. Professor). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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ACRONYMS AND ABBREVIATIONS

- MACE (Malawi); Malawi Agricultural Commodity Exchange
- KACE (Kenya); Kenya Agricultural Commodity Exchange
- UCE (Uganda); Uganda Commodities Exchange
- ZAMACE (Zambia); Zambia Agricultural Commodity Exchange
- ASCE, (Nigeria); Abuja Securities and Commodity Exchange
- ECX, Ethiopian Commodity Exchange
- MOT, Ministry of Trade
- MOA, Ministry of Agriculture
- ERCA, Ethiopian Revenue and Customs Authority
- UN, United Nations
- AU, African Union
- EU, European Union
- WFP, World Food Programme
- UNGM, United Nations Global Market
- EPOSPEA, Ethiopian Pulses, Oil Seeds and Spices Processors and Exporters Association
- MOFED, Ministry of Finance and Economic Development
- MOFA, Ministry of Foreign Affairs
- AACCSA, Addis Ababa Chamber of Commerce and Sectoral Associations
- ECCSA, Ethiopian Chamber of Commerce and Sectoral Associations
- CSA, Central Statistics Agency
- NBE, National Bank of Ethiopia
- CBE, Commercial Bank of Ethiopia
- ESLSE, Ethiopian Shipping and Logistics Service Enterprise
- GISA, Global Inspection Survey Agency
- FOB, Free on Board
- CNF, Cost and Freight
- LC, Letter of Credit

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ABSTRACT

The purpose of the research is to find out obstacles of the business activity and recommend a better solution for the system in order to assist ECX attain its objectives successfully. The country benefits from the foreign currency it gets from export of sesame. The earning can only increase when the business is on the right track. Mixed type of research methodology is applied here for the analysis purpose. Primary data from different sources are viewed for support of the research. The issue is the type which has been analyzed differently by some scholars and academicians. The input from these and secondary data collected from responses from the different groups of the sector actors is the other source of data. Sample representatives of the population have been calculated on the basis of Godden's sample representative formula for infinite population. The term infinite in this respect represents to mean relatively large number spread widely. Establishment of ECX was helpful to remove some malfunctions of the sesame marketing as observed against the marketing mix elements. The irregularities in the business activities by some of the actors have undeniably affected the export of the crop. Production, Price, Promotion and place or distribution of the seed was managed by different groups who were behind their own interests. Split in idea has severely damaged the whole member of the group from attaining what they deserve. All actors are not at an equal of awareness on market situation prevailing in the world. ECX also has its own objective set and follow the fulfillment only. What should be done is, ECX must look and evaluate its moves with respect to its objective. Some activities should be added to ECX control scope. The existence of too many actors is the reason why price is not going with external export price. Therefore, ECX may study if it could include the supplying to its warehousing activity and this may bring down the extra money paid to brokers which will enable the exporter to act competitively in the international market. With regard to free market, the government may also revise its policy of control to avoid the anarchy of price irregularities.

Key words:

Sesame, ECX, Export, Actors, marketing mix

CHAPTER 1

INTRODUCTION

1.1 Back ground of the study

Sesame (*Sesamum indicum*) is a flowering plant in the genus *Sesamum*. Many varieties of sesame exist in the world. It is widely cultivated in tropical regions and is cultivated for its vast consumption purpose. It is said to be the oldest crop known to mankind found and cultivated some 5000 years ago. Sesame is drought-tolerant. It has been called a survivor crop, with an ability to grow where most crops fail. Sesame has the highest oil content of all other oil seed of its type. Sesame, like other nuts and foods, can trigger allergy reactions in some people. (www.epospeaeth.org viewed Feb. 23, 2015)

World sesame production was about 3.84 million metric tons in 2010. Myanmar is the largest producer during this period. India is the largest exporter of the seed while Japan is the first importer of the crop. It grows annually and is 50 to 100 cm (1.6 to 3.3 ft) tall, with opposite leaves 4 to 14 cm (1.6 to 5.5 in) long with an entire margin; they are broad lanceolate, to 5 cm (2 in) broad, at the base of the plant, narrowing to just 1 cm (0.4 in) broad on the flowering stem.

1.1.1 Profile of Ethiopian sesame and oilseeds

“Ethiopia has a total area of 112 million hectares of which about 45% is arable. The country has a potential irrigable land of about 3.7 million ha. Overall, Ethiopia’s natural resource base, the soil, the climate, the relative humidity the vegetation types are the foundations of agriculture. The different agro ecological zones, extensive arable land and high population in rural areas make Ethiopia an agrarian country. Agriculture is the mainstay of the national economy contributing about 46% of GDP, over 90% export and 83% of employment.” (EPOSPEA, 2015)

Ethiopia is one of the centers of biodiversity for several oilseeds which can be considered as specialty high value seeds on the international market. The crops grown in Ethiopia are diverse following the mosaic agro-ecologies derived from the soil types -ranging from fertile soils to

sand and cropping altitude from more than 3000mt to less than 600 mt. About 146 crop types in Ethiopia and oilseeds are among the major ones. Sesame and Niger seed dominate largely the oil seeds category. Niger seed is oil crop of Ethiopian origin like coffee.

Among the oil crops of Ethiopia, sesame seed commands a leading position because it is highly adapted to arid & semiarid low land environment and yields well. Ethiopian sesame seed comprises of Whitish Humera Type which has good demand in the world market & known for its top quality. Also used as a reference for grading in the international market. Wollega Type sesame is the other one which is mixed /brownish in color and used for oil crashing only. Ethiopia has high quality sesame seed varieties suitable for wide range uses. The humera type is appreciated worldwide for its aroma and taste. Wollega type is mostly used for oil crushing as it has high oil content.

Maturity depends on the weather condition and it usually varies from 90 - 105 days. Mid October to November is the usual harvesting time. Harvesting begins when two third of the plant and seed pods turn yellow.

1.1.2 Historical background of sesame marketing

There has been a long up and downs in the journey towards modernization of the Ethiopian grain market. Likewise, the story is the same for most African countries. For the Ethiopian case, we can divide the time between the Monarchs, Dergue and the current EPRDF regime. The most backward duration was the Monarchs period. The land tenure system together with the poorly organized grain marketing trend was a failure to the then agrarian system. The land was owned by few land lords and cultivated by peasants. The grains were sent to local market for trading which was mostly sold to some wholesalers, retailers and finally to consumers for very low price. Export was not so much introduced for most grains except some for coffee. (Lirenso, 1993)

Before the current reforms took place, for sixteen years until 1990, the Dergue government tightly controlled trade, through cooperatives and the Agricultural Marketing Corporation

(AMC), which was established first in 1976 with World Bank support for the purpose of purchasing grain and distributing it to consumers (Lirenso, 1993). In this period, policies included fixed grain prices, limited private grain movements within regions, controlled private sector participation, and a producer grain quota (Fisseha, 1994; Lirenso, 1987; Franzel, Colburn, and Degu, 1989). Farmer quotas to the AMC amounted to 10 to 50 percent of the harvest at fixed AMC prices that were consistently below market prices, which had the effect of depressing rural incomes and production (Dercon, 1995).

In March 1990, a dramatic market reform lifted, overnight, all restrictions on private trade and eliminated official prices and quotas. Subsequently, in 1992, the Transitional Government continued reforms through eliminating wheat consumer subsidies and downsizing the AMC, through closing all eight zonal offices, reducing its branch offices from 27 to 11 and its grain purchase centers from 213 to 80. It was renamed the Ethiopian Grain Trade Enterprise (EGTE) with a new mandate of stabilizing prices and maintaining buffer stocks. Unlike most post-reform African states where marketing boards continued to dominate trade, the EGTE plays a relatively minor role, with only a 2 to 5 percent share of the domestic market (Jayne, Negassa, and Myers, 1998). In 1999, further reforms involved merging EGTE with the Ethiopian Oil Seeds and Pulses Export Corporation (EOPEC) and re-establishing it as a public enterprise, no longer required to stabilize grain prices, with the major objective of operating for commercial profitability by focusing on exportable grains (Bekele, 2002). Because market reforms resulted in the nearly total withdrawal of government intervention from the market, it was considered by an MSU study in 1998 that the reforms enacted in Ethiopia constituted a particularly important test of the hypothesis by the international community that the liberalization of markets would reduce costs and catalyze growth in production (Jayne, Negassa, and Myers, 1998).

The serious problems in the sector, which finally initiated multiple research surveys to find solutions for problems in the grain market area as follows:

1. High contract default
2. Unreliable supply

3. Volatile prices
4. Poor quality
5. Unreliable trading practices
6. Poor information
7. Unregulated actors
8. Uncoordinated markets
9. High costs, high risks (ECX, 2008)

As a remedy to the above, Ethiopia Commodity Exchange (ECX) was established in April 2008 with the following objective.

- Commitment to free market principles which the existing government has as its major agenda is aimed to be a problem solving tactic.
- On the other hand a floor for buyers and sellers is prepared to exercise reliability to one another in the trade connection.
- Market information would be easier to share under an organized and supervised marketing system. And hence the establishment of ECX was initiated and encouraged in order to level the playing field.
- Efficiency in discovering market prices was the other objective for the establishment of ECX.
- Farmers' empowerment, the basis for production increase and fair income distribution needs an organization like ECX to come into reality.

With all above points fulfilled, the question of quality in production and service could be practiced through an organ like ECX. Contract risk was the major setbacks of the previous marketing system. To avoid contract default there should have been some one responsible and authorized to regulate the flow of the process and establish a formal procedure which would straighten buyer-seller business relationship. That is why ECX is established. (ECX, 2008)

The vision driving the Ethiopia Commodity Exchange (ECX) is to revolutionize Ethiopian agriculture through a dynamic, efficient, and orderly marketing system that serves all. ECX was

there with a new idea and an old business as stated on the power point prepared to demonstrate the processes and procedures intended in the market system. The question is has this organization attained and served what it has been established for? If not, are all objectives attained? There are many complaints from members and users of ECX floor in the service rendered to them.

So many literatures regarding the need of modern grain marketing has been undertaken by many scholars. As will be shown in the literature review, researchers study has initiated in the founding of organization similar to ECX elsewhere for the good of the marketing system. Some are shown below.

- MACE (Malawi); Malawi Agricultural Commodity Exchange
- KACE (Kenya); Kenya Agricultural Commodity Exchange
- UCE (Uganda); Uganda Commodities Exchange
- ZAMACE (Zambia); Zambia Agricultural Commodity Exchange
- ASCE, (Nigeria); Abuja Securities and Commodity Exchange

ECX is not the first to appear in this practice. These countries have learned from one another. They all have faced complicated problems on their way up, where they all still struggle to reach. There are problems which were supposed to be tackled through ECX plan of actions. Actually, these problems are neither solved nor defined by ECX as realized. Rather they are repeatedly denied and attached to “actors” of the procedure as being the result of the process.

1.2 Statement of the Problem

Many firms, who use ECX exchange floor, are diminishing every time in numbers. Because pricing of commodities exchanged here are not as per the law of economics. It has been observed that while export price is falling, local price is increasing at ECX. What is the reason behind this paradox? No one wants to operate his business at loss. Coffee and sesame followed this trend repetitively. As a result of this, weaker exporters with lower capacity to fight the challenge are evicted from the game.

ECX posts the daily bid prices of commodities on its website for the benefit of any one in the business. Domestic buyers and sellers are affected repeatedly since external importers of the crop use it to fix their buying price.

The quality of sesame brought to ECX is not controlled but rather manipulated by both the supplier and the ECX quality control staff. The consideration of buyers' standard for quality is ignored. This results in reputation loss for the country as a whole.

The problem of transport charges is the other point everyone talks about. It is not fixed or stable. Increase and decrease are interchanged phenomenon every time without any cause for the effect. This affects distribution of the seed adversely.

Production method is not trained to farmers and sesame is produced on a plot of land continuously. Loss of land fertility to the crop is the cause for sesame quality loss which is revealed every year. Quality of the product is seen deteriorating.

1.3 Basic Research Questions

- What were the challenges faced by ECX in the ongoing functions of the organization?
- What are the ways of price control for the product?
- Who benefits from the daily market price information posted?
- What is to be done so that ECX can achieve its objectives?
- What should be done to control transportation charges?

1.4 Objectives of the Study

1.4.1 General objectives

- The general objective is to find out solutions to the challenges in the marketing mix which contribute to this fact and also find ways that could reconcile the two dimensions of price.

1.4.2 The specific objectives are:

- To find if ECX has helped in price control.
- To investigate if all actors of the market are aware of the export price situation.
- To suggest some possible solution for the problem.
- To study why sesame prices fail to follow buyers' price and why ECX over looked this while it has set the local upper and lower limits of daily exchange price levels.

1.5 Definition of Terms

Some conceptual terms will be defined as follows. (ECX 2008)

1.5.1 ECX: - Ethiopia commodity Exchange,

- A *broad* market platform
- A *flexible* market platform
- A *powerful* market solution

1.5.2 Actors:- These are the participants in the market platform as buyer, sellers and brokers

1.5.3 Commodity: - Agricultural product for sell at ECX, coffee sesame maize, wheat bean

1.5.4 Member:- An individual or group who has got a sit at ECX

1.5.5 Price:- An exchange bid price for a commodity at ECX

1.5.6 MACE (Malawi); The Malawi Agricultural Commodity Exchange

1.5.7 KACE (Kenya); The Kenya Agricultural Commodity Exchange

1.5.8 UCE (Uganda); The Uganda Commodities Exchange

1.5.9 ECX (Ethiopia); The Ethiopia Commodity Exchange

1.5.10 ZAMACE (Zambia); The Zambia Agricultural Commodity Exchange

1.5.11 ASCE, (Nigeria); The Abuja Securities and Commodity Exchange

1.6 Significance of the Problem/Study

- ❖ The outcome of the research study enables in solving the problems of companies participating in the export activity from being evicted out from the market due to some unknown actions done secretly.
- ❖ It helps ECX to efficiently attain its organizational objectives.
- ❖ It is through export income that the country earns foreign currency for its balance of payments. Therefore, the research will hopefully come out with a conclusion to how foreign currency earning could be improved in finding solutions to the problems.
- ❖ Employment opportunity is positive when economic participants are more and the reverse is true if the number is less. Ethiopia is not ready for monopolistic type of economy as the labor power is so large that it should be absorbed via different business activities. Under this case few may be interested to manipulate the growing civilized market which ECX is controlling. On the other hand due to the case under this research, many are evicted away from the market for they were not able to tolerate what they are facing through price manipulations. The result of this analysis will eventually help as follows.

- Will help to identify the root of the problem
- Help ECX to improve its function and serve the commercial society and the farmers well.
- Help the government to enjoy better foreign currency income.
- Decrease the unemployment rate of the nation.
- Assist exporters of the commodity to contribute to the economy. And finally,
- The findings of the study will serve other researchers to conduct a better and depth study to the matter in question.

1.7 Delimitation/Scope of the Study

- The study is delimited to only focus on sesame (oil seeds) transaction at ECX. The scope of the research can be unreachable if other crops are included but the problems are more

of the same kind. Therefore, the researcher's focus is on sesame as a representative study to the matter. The scope of the study though limited to sesame, still the size of population which is within the business activity for study is wide.

- Relevant problems issues studied in the past are limited since the prevailing types of obstacles in the business are new which came in to existence with ECX even though some were as old as the business.
- The research is delimited to the scope or reach of ECX but includes the production of sesame in the wide nation of Ethiopia.
- The researcher attempted to manage the strictly allocated time for submission of the thesis while this given was sufficient enough to cover all that was required.
- The issue is so wide that it is difficult to increase the sample size for precision sake in order to reduce error margin because it will lose its justifiable range
- The method of study utilized is mixed methodology. This is because it is due to the limited data which could be gathered and the capacity of the researcher to utilize other options.

1.8 Organization of the study

The research paper contains five chapters. The first chapter presents the introduction part, which consists of background of the study, Profile of Ethiopian sesame and oilseeds, statement of the problem, objective of the study, significance of the study, definition of terms, scope of the study. The second chapter presents literature review of the study which consist both theoretical and conceptual frame works. The third chapter contains method of the study. The fourth chapter encloses the data presentation, analysis and interpretation and the last chapter presents the summary of finding, conclusion and recommendations. Finally list of reference, appendix and other related sample are attached at the end.

CHAPTER TWO

LITERATURE REVIEW

This part of the thesis generalizes and presents relevant articles, journals and research works to the topic of the study. As the major target of the research is on problems of marketing of sesame, this part of the thesis looks into marketing and the marketing mix, 4Ps of the sesame transaction in particular. Theoretical and empirical issues will be discussed broadly depending on available materials on the topic. To begin with the following theoretical discussions are reviewed from literatures and reading materials relevant to the topic.

2.1 Marketing

Marketing is defined as,

“The performance of business activities directed toward, and incident to, the flow of goods and services from producer to consumer or user.” (AMA, 1948).

This definition lacks the broader meaning of marketing which includes the 4 Ps. It focuses only on the distribution aspect. Later on the AMA defined marketing as follows.

“The process of planning and executing the conception, pricing, Promotion and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.” (AMA 1985)

Marketing includes processes of understanding the market wants/needs of interest, based on relative size and needs of the market, select certain segments of the market those are of the most interest to organization, thoroughly describe these segments based on their individual needs, create a product or service that will meet the specific needs identified, communicate the concept of the product or service to the targeted customer in a way that makes sense to the customer, deliver the product or service to the targeted customer in a way that will be convenient to the customer and solicit feedback from the customer about how your product or service could be improved to meet the customer’s needs even better. (Lexis F. Higgins, 2011).

Higgins, defines marketing in a more condensed way as;

“The conceptualization and delivery of customer satisfaction” (Higgins, 2011)

Sesame marketing cannot be detached from its main purpose, which is international market. Sesame as a cash crop is meant for earning foreign currency. Unlike other crops which are produced and consumed locally, domestic consumption of sesame is not significant. Price dynamism is shown in the international market due to the fluctuating supply and demand. This crop is no different from other crops in its nature as being affected by weather changes and other cultural consumption patterns. Actors involved in the sesame market transaction are, small scale farmers, producers cooperatives, unions, brokers or agents, exporters and local consumers. (Alemu, 2009).

Understanding of the scattered and small-scale nature of the Ethiopian production system, the role of aggregation in improving the agricultural marketing system is given due emphasis in the national agricultural marketing strategy and this is sought to be achieved through cooperatives and their respective unions (ibid).

Following the above strategies, the Council of Ministers Regulation No.178/2010 (the “Regulation”) passed on May 22nd, 2010, states that sesame seed trading in Ethiopia shall be conducted only at primary transaction centers and the Ethiopian Commodity Exchange (ECX). Article 18 (2) of the Regulation reserves the right for any producer to export sesame seed directly, individually or through a cooperative in which he or she is a member (Alemu, 2009). In line with the enforcement of the mandatory trading provisions of the Regulation, nearly all of the country’s sesame will be traded through Ethiopian Commodity Exchange (USAID-Ethiopia Agribusiness and Trade Expansion Programme, 2010).

Sesame is grown in Ethiopia mainly for the export market. Local consumption of the crop is only about 5%. (Aysheshm, 2007; Alemu and Meijerink, 2010). Ethiopia as a major sesame seed exporter to the world market traded, 237, 565 tons of sesame seed, in 2005/06 accounting for roughly 94% of the total export earnings from oilseeds and 19% of total national export earnings (EXC, 2010).

It has been noted that the demand for Ethiopian sesame is significant. Reports show a positive demand increase in the future as well. (Sorsa, 2009). According to Sorsa, this increasing international market demand for sesame is not only because of the rise of export volume but also in new buyers coming to the market (ibid). Currently, China takes the biggest share in importing sesame from Ethiopia. Israel, Turkey and Jordan are the other sesame importers of Ethiopian sesame in 2011, respectively (ERCA, 2012).

2.2 Commodity Exchange

The definition for Commodity market as stated in Business dictionary is “Open and organized market place where ownership titles to standardized quantities or volume of certain commodities (at a specified price and to be delivered on a specified date) are traded by its members. Although samples of the commodities are physically examined and graded, physical delivery of commodity rarely occurs because the delivery contracts are usually exchanged or closed out (traded out) before their expiration date. Commodity exchanges are divided roughly into three main types: metals exchange, fuels exchanges deal, and soft (agricultural) commodity exchanges. Other exchanges deal in currencies and commodity indices. It is called commodity futures market or commodity market.

Different economic theories provide several explanations for the existence of commodity exchange markets. These theories fall into three broad categories:

(1) The neoclassical theories,

According to neoclassical theory, the market refers to any domain of economic interaction, where prices follow supply and demand. Unless disturbed by nonmarket forces, all markets have a natural and spontaneous inclination to evolve into a perfectly self-regulating one, where resources are distributed efficiently, if not justly (Smith, 1776).

To ensure both the evolution of markets toward a perfect version and the market setting its prices freely, neoclassical researchers argue that non-market forces should not intervene in the delicate balance of supply and demand.

Neoclassical economics analyses the situation of the market from the point of view of an agent. In this school of thought, a firm is assumed to act rationally, thus it chooses the best option to trade. These researchers' perception of the market as a natural balance of the forces of supply and demand has contributed to the making of markets by informing the construction of various options markets, ranging from agricultural commodities exchange markets to securities.

(2) Institutional theories

Institutionalisms differ from neoclassical researchers by arguing that all free markets require an institutional structure to mediate the convergence of market forces. Moreover, spontaneous development of markets could be stalled by nonmarket factors such as the state. From this perspective, institutions directly affect economic outcomes, and the agents of markets use them to reach their individual ends (Williamson, 1985; North, 1990).

In this school of thought, market is perceived as the set of institutions which mainly includes the following: formal and informal contracts between individuals or groups; trading practices, codes of conduct, and social norms, such as repeated interaction, trust, and reciprocity; formal commercial laws and regulations that govern market relations; and institutional arrangements between actors such as vertically or horizontally integrated supply chains.

(3) Organization theory

The recent approach advocated under this school of thought and related with the issue of commodity exchange is the global commodity chain analysis (GCC) approach. This approach, like institutional theory, explicitly acknowledges the importance of human relations within marketing chains. This approach emphasizes the shifting bases of power exercised by leading firms in globalized chains linking producers, processors, distributors, and consumers and the impact of the governance structure on shaping outcomes for the market. Its main focus is on the

linkages and coordination between economic agents and the outcome for the whole chain. (Gemoraw, 2011)

2.3 A new marketing system in Ethiopia (Conceptual point of view)

Ethiopia was a center of trade in the past during the Axumite old times. Even though not exactly similar with the Axumite type, a new marketing system is taking place after a long time. ECX, (Ethiopia Commodity Exchange), which appeared to be a market place, is where buyers and sellers come together to exchange. ECX was established in 2008. Quality assurance, on time delivery, and payment are the main purposes the institute is there for. The first commodity transacted was Coffee as of 2009 and Sesame followed since 2010 onwards. The other actors playing on the floor of the market to facilitate the process are the middle men (brokers), sellers, buyers (exporters). (Eleni, 2009)

One can ask a question as “Can the Ethiopian Commodity Exchange meet the requirements of all export markets?” Responses to such questions should not be neglected since we need to check if the demand of all end markets is addressed appropriately. Many argue that the reply to this fact is negative. The idea of marketing seems only one way even though the system was meant to include parties, buyers and sellers without ignoring the brokers. The case of coffee and sesame are the major areas where the question focuses. Coffee is the most important export crop of Ethiopia, while sesame ranks second. More than 95% of all sesame produced in Ethiopia is exported. (Jennie, 2010)

2.3.1 Expected Benefits or impacts of Commodity Exchange

This can be classified into three major categories:

- i. price discovery,
- ii. risk management and
- iii. Facilitation of commodity trade.

There are also a further set of specific benefits under each category. (Gemoraw 2011)

Eleni Z. Gabre-Madhin and Ian Goggin on their concept note entitled, “Does Ethiopia Need a Commodity Exchange?” mentioned the following points on the importance of commodity market.

- An exchange reduces transaction costs by:
 - facilitating contact between buyers and sellers
 - enabling centralized grading of products
 - ensuring that contracts are enforceable
 - providing mechanism for price discover
 - simplifying transactions with standard contracts
 - transmitting information about prices and volumes
- An exchange provides a mechanism for increasing market liquidity
- An exchange enables transfer of price risk, and
- An exchange creates trust, order, and integrity in the market.

Both analysis by GemorawAdinew and Eleni Z. Gabre-Madhin (PhD) and Ian Goggin are similar in content but approached from different angles and aspect.

2.3.2 How Does An Exchange Work?

Most exchanges, a virtual or electronic trading system, operate in a physical place, with an exchange “floor” on which trading occurs. The exchange floor is typically organized by commodity. Many people wrongly think that a commodity exchange determines or establishes the prices of traded commodities, which is not true from any point of view. Prices are determined solely by supply and demand conditions. It is the number of buyers to sellers that determine whether the price is high or low. As the buyers number exceed the number of sellers, this is an increase in demand and hence a rise in price and vice versa. The buying and selling procedure is done through public outcry, rather than by private negotiation. The transaction prices are recorded and informed to the public as soon as possible. This creates market transparency. Trading on a commodity exchange is like a continuous two-way auction, in which offers to buy are going on simultaneously with offers to sell. Since the standardized product is already a graded one, such auction is possible without any problem. Eleni confirms

that the exchange itself does not operate for profit, but merely provides an organized marketplace for buyers and sellers. (Eleni and Goggin 2011)

The idea of an exchange is having a buyer and a seller at convenient market where cost is low and transaction is handled efficiently. This needs the market to operate under ethical situation with the use of basic rules with certain types of actors. The distinctions from other types of markets lie here.

2.3.3 A system that creates integrity and trust

The commodity exchange system is one that creates integrity and trust in that goods traded on an exchange are standardized according to known standards of quality and quantity. Such grading and certification are handled with licensed inspectors that are qualified and regulated. All actors and the market agree on the standard identified by the inspectors and released to them officially. Certification is considered by all actors to be fair and neutral.

“...In order to ensure that the rules are followed, exchanges operate with membership-based trading, where membership is based on the ability to comply with the rules of the exchange and to meet certain standards. Moreover, since chaos would quickly result if membership were continuously open to increasing numbers, membership in an exchange is fixed. In addition to an annual fee, the actual seat or membership on an exchange floor is paid for with an initial price, much like a share, and can be bought or sold on the market. This ensures that members have a stake in the performance of the market and thus uphold its trust and integrity.” (Eleni and Goggin 2011)

ECX stresses that the numbers of members who have got a seat are limited but if so one can question how can a large numbers of buyers and sellers be integrated into the market? Brokers are the key set of actors on an exchange who, as members of the exchange, trade on behalf of an unlimited number of buyer and seller clients. The function of brokers, whose duty it is to advise their clients, whether buying or selling, as to the best market opportunities and when and where these are likely to occur, provides significant empowerment to market participants. However, because of their central role, brokers must be specifically licensed and inspected in their function. The integrity of brokers is at the core of the integrity of the exchange itself.

Exchanges are essentially self-regulatory systems which prescribe rules and codes of ethics to which all market actors that are registered with them need to strictly adhere to. Their members are required to, among other things,

1. do their very best to foster and promote the operation of the exchange;
2. maintain the highest degree of business ethics and integrity;
3. give precedence to the interest and good will of the exchange;
4. comply with laws, regulations and commonly agreed issues pertaining to the trade;
5. make use of practices that promote the public image of the exchange and the mutual trust between all concerned; and
6. Encourage research and the introduction of new methods and practices that promote the efficiency of the market.

Who can become a member of an exchange? In a deregulated market, membership is voluntary. Any individual or business organization that is engaged in the marketing of commodities may become a member of an exchange: traders, brokers, cooperatives, processors, state enterprises, etc. In a nutshell, exchanges are membership organizations that are employed as a vehicle through which their members engage in the business of buying and selling commodities. A key function of the exchange is therefore to ensure compliance of all of its members with the above principles. An exchange is itself registered with and supervised by government agencies established to oversee its activities in line with the law in place. (Eleni et.al, 2011)

Generation of market information is the other major role of the exchange market. This is so because it is the main reason for the establishment of ECX. The root problems mentioned elsewhere arose as a result of information gap. Farmers are said that they sell their product to the price their crop does not deserve because of lack of information. An exchange becomes the market information system as it undertakes its function of price discovery based on the public posting of buy and sells orders.

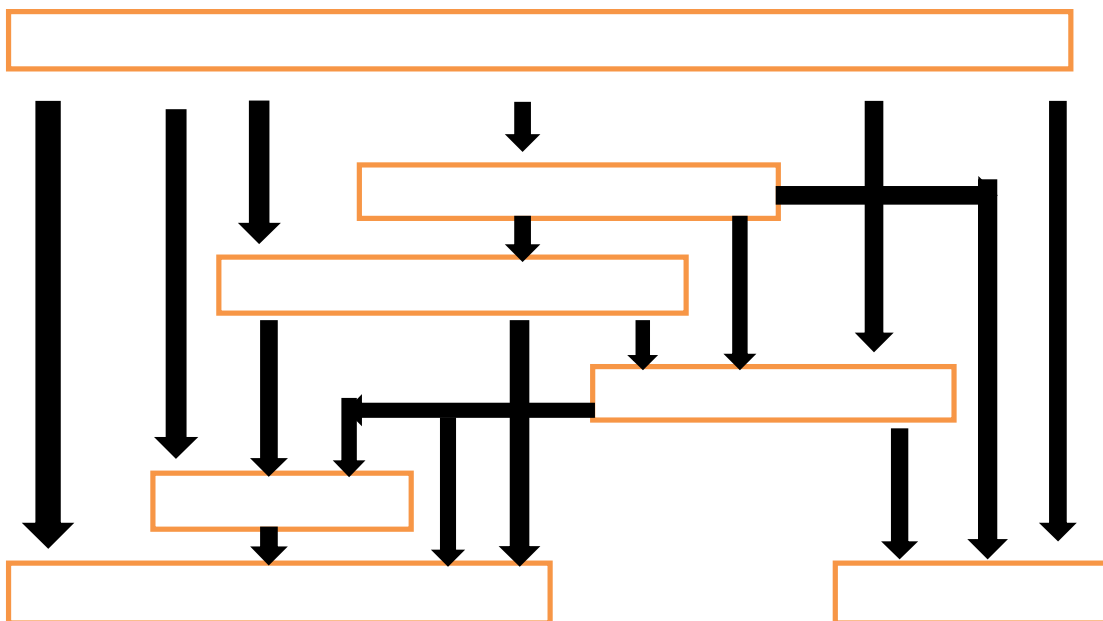
When the volumes of trade on the exchange are sufficiently large to justify that price discovery according to true market fundamentals is occurring, then the dissemination of that information

of market prices provides a great service to the market, and the wider economy. This fact alone is a compelling reason to justify an exchange. (Eleniet.al, 2011)

Products brought to the exchange center will be weighed and graded initially. It will be handed over to the store man at whom warehouse receipts are given to the person who has brought the commodity which is meant for an exchange. The viability of a warehouse receipts system depends on the extent to which there is discipline and trust in the warehouse, like the commodity exchange, integrity is the key.

A successful commodity exchange provides transactions for its participants --farmers, processors, traders, large consumers, food aid agencies, parastatal agencies, and others-- in a low-cost environment. The lowering of costs is passed on to market actors who can then directly benefit from a higher share of the final price. This in turn generates incentives for increased market volume, and provides an incentive for increased participation in the market.

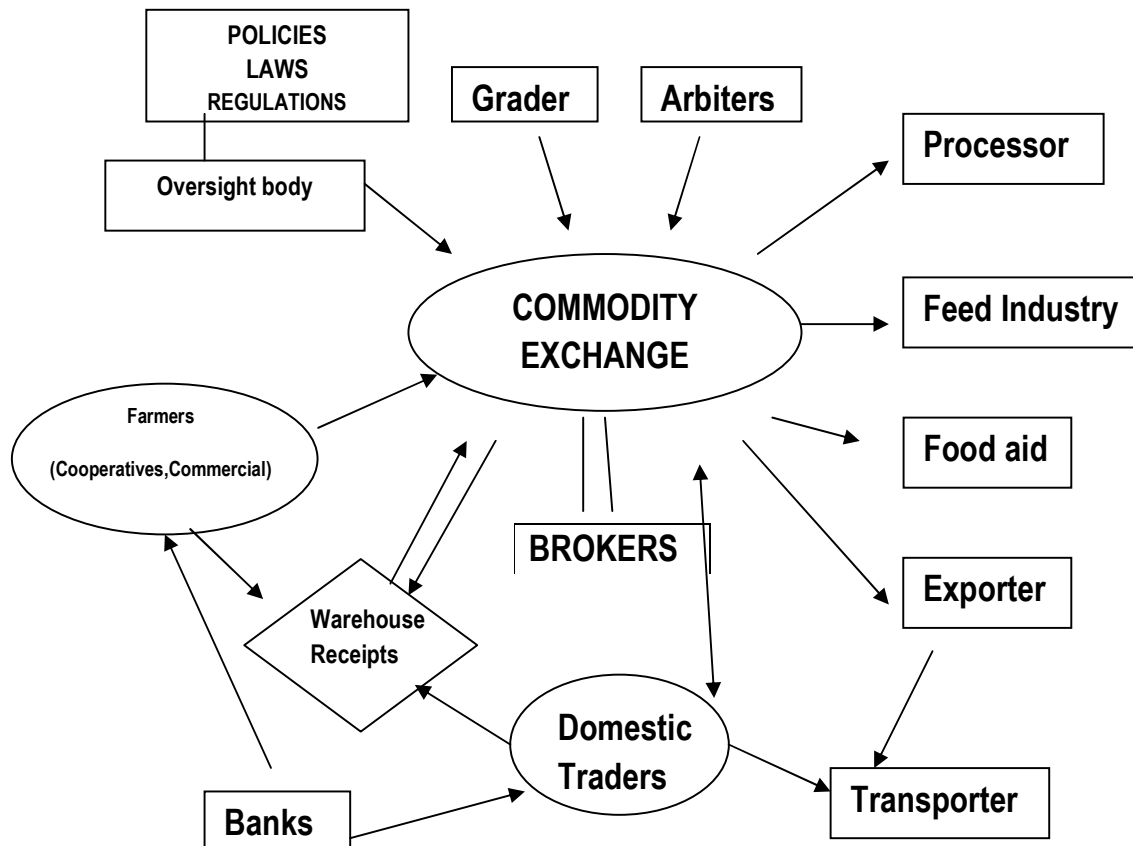
Fig. 2.1Oilseeds and oil chain before establishment of ECX



Source: ECX 2010

Actors in the Commodity Exchange System after ECX formation

Fig. 2.2



Cooperatives can directly export without sending their product to ECX warehouses

It is through marketing that the producer channels towards the end user. As the procedure shows, a product is not so complicated neither is when it is produced for direct consumption by the producer. It is when a third party is introduced that the complication begins. There will be a producer, trader and end user under such case. (Eleni and Goggin, 2005)

A major problem in trade activity is how market exchange is coordinated. Phases of trade require a series of steps in transaction. How and whereabouts of the moves should be handled carefully in order to avoid or reduce complications. Coordination is then required to straighten the process. Price manipulation, timely delivery of product, quality control, effecting of

payments on time and many others need a close attention of the process actors (Eleni and Goggin, 2005)

While Dr. Eleni was discussing on how to achieve “self-coordinating” market order, she emphasized on information to be at the heart of the institutional problem of order. “That is, the transmission of information on prices, quantities supplied, quantities demanded, actors and their actions, product quality and attributes, and processes *is* the key to market coordination. An important body of economic literature has focused on the problems of imperfect, asymmetric, or incomplete information, which in turn lead to decision-making with “bounded rationality” (Simon), missing markets and risk (Akerlof), and high transaction costs (Williamson).” (Eleni 2005)

On the other hand, contracts and the costs associated with negotiating and enforcing contracts are also at the heart of the problem of economic order. Fundamentally, as Hicks (1969) noted, even the simplest exchange involves a form of contract, where each party is abandoning rights over the things that he sells in order to acquire rights over the things he buys. Thus, all exchange is trading in promises, which is futile unless there is some reasonable assurance that the promises will be kept. Extending this concept, Nobel-laureate Douglass North (1990) has forcefully argued that “the inability of societies to develop effective, low-cost enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the third world.”

To summarize, then, the heart of the problem of economic order facing Ethiopia today is the central question of how market exchange can be coordinated efficiently, at minimum transaction costs, among the myriad of actors in the rural economy, the diverse and spatially dispersed producers and consumers, in such a way as to enhance livelihoods and lead to the optimal allocation of resources. In the post-reform era, rather than take the central planning route, the problem confronting policymakers is how to bring about a “self-coordinating” market order. In order to do so, two core aspects must be addressed: the transmission of vitally needed market information and the low-cost enforcement of contracts among market participants. In the following sections, we elaborate on a particular market institution, with its related institutional

components, that has emerged in response to both of these core concerns: a commodity exchange. (Eleni and Goggin, 2005)

2.4 Price of Commodities

Undeniably, the fact about demand and supply works in the price formation. Price of the commodity is influenced by different factors. The major ones are, cost of production, demand of the product and supply. Other factors as psychological sensitivity, elasticity, social impact of the consumer towards the product, degree of the product at which it is transformed or value added and finally the economic standard of the people or nation who come across trading and consuming of the product contribute whether to accept a level of price attached to the commodity in question.

When we look in to the commodities traded at ECX, transaction cost matter a lot. The oil seeds and coffee transaction chain are generally very high. The reasons can be listed as follows.

- The chain that connects the farmer, collector, broker in a repeated manner extends the duration it takes the commodity to ECX.
- Information deficiency, what price and quantity prevails in the market for the product.
- The producers and other actors negotiating on contractual agreements on price, purity, quantity, delivery time, etc.

Other than the factors determining prices formation, world prices determine prices for export products. Ethiopia has to compete with many similar product suppliers. This is another huge task to consider while participating in the international market. Each link in the process has cost which reduces the share of previous link in the chain.

Contrary to the existing situation in Ethiopia, (Seifu, 2004) writes, “The price of oilseeds at farm gate will be the end result. Low world market prices will result in very low farm prices.” This is not so currently. The research will give more emphasis in its last chapters on this issue. (Wijnands, Biersteker, Hiel and Schuttelar & Partners 2007)

2.5 PRODUCTION (Empirical view)

2.5.1. Ethiopian Sesame - Production and Potential

Due to its importance as a major export commodity the area coverage and production has increased in the last consecutive years. There is an enormous potential to expand sesame seed production in Ethiopia through cultivation of additional new land. (Table 2.2)

The government is enhancing the investment in the oilseeds sector with an extended package of incentives. Hence with the transfer of technology and the provision of inputs, the increment of production and yield will be achieved strongly. Availability of Virgin fertile new areas which can be cultivated on large scale plus cheap and abundant labor is the key indicators of the future potential. (EPOSPEA 2015)

The Oilseeds sector production has shown significant increment since the 2010/11 year of production. (Table 2.1)

- Though Sesame Production has shown remarkable increment in the 2010/11 year of production and slight decrement since from that year
- According to data of CSA the production of year 2012/2013 has a record of -25.9 % of the pervious production year.

Map.1.1



2.5.2. Sesame production in Ethiopia

Farmers engaged in producing sesame are highly dependent on the income from the commodity. (USAID, 2010). This crop is not for local consumption. More than 95% of the whole production is meant for export. (Jennie 2010). Currently, Ethiopia stands fourth place among the top five countries that produce sesame. World total sesame production reaches about three million tones and steadily growing. (USAID, 2012). Ethiopia's share covers 8.18% of the total world production. (FAOSTAT, 2012).

Next to coffee, sesame seed is the second largest agricultural export revenue source for Ethiopia. This has contributed a lot to the farmers for their living. (CSA, 2011). According to Central Statistics report of 2011, 763,893 small holder farmers were engaged in sesame production in the year of 2010/2011. In year 2011/2012, the number increased to 893,883 private peasants. This can be concluded as that the sector can involve even more small holders in the future which are possible to link them with domestic and international markets. (CSA, 2011)

Ethiopia produces different variety of sesame of which Gondar, Humera, Metema and Wollega are the major once. The first three mentioned are used for bakery, confectionary and cosmetics while Wollega type is well known for its high oil content, (50%-54%) which gives is a superior competitive advantage to be used as edible oil production. (USAID, 2010). Sesame seed is an important export crop in Ethiopia which has made the country play the export role in the world market other than coffee, leather and Chat. Ethiopia is the third world exporter of the crop after India and Sudan. (Alemu and W. Meijerink, 2010). In this regard, in the last few 18 years, sesame production and marketing has confirmed highly significant growth. In 1997, the total area under sesame production was about 64,000 ha (Aysheshm, 2007).

In 2010/2011 cropping season, the total area under sesame production reaches 384,682 hectare and about 327,740.92 ton of sesame seed has produced in the country (CSA, 2011). Despite, these trends in2011/2012 production year sesame production and area under its cultivation has declined by about 25.31% and 12.26% respectively, compared to the preceding year.

Accordingly, only 337,505.41 hectare of land has cultivated under its production and only about 2,447,833.59 quintal of output was produced, (CSA, 2012). This indicates that not only the size of land allocated to sesame and its production volume was decreased, but also the crop yield too decreased from 8.52 quintal/hectare in 2010/2011 to 7.25 quintal/hectare in 2011/2012, by about 14.9% (CSA, 2012). (Geremew2012)

- The Oilseeds sector production has shown significant increment since the 2010/11 year of production. (see table and chart below)
- Though Sesame Production has shown remarkable increment in the 2010/11 year of production and slight decrement later since from that year
- According to data of CSA the production of year 2012/2013 has a record of -25.9 % of the pervious production year.

Table 2.1

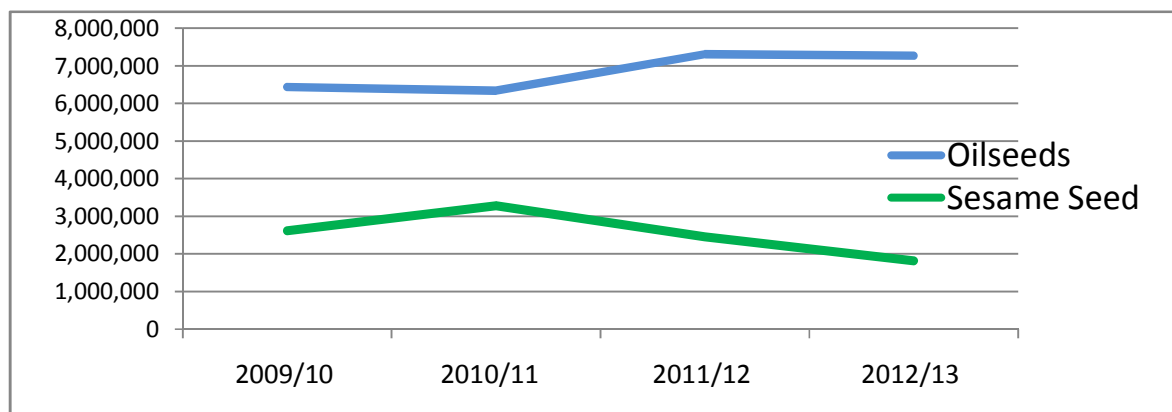
Annual Production

No	Product	Annual Production in Ton			
		2009/10	2010/11	2011/12	2012/13
1	Oilseeds	6,436,144	6,340,005	7,308,800	7,266,644
2	Sesame	2,605,343	3,277,413	2,447,833	1,813,760
3	Neug	1,578,467	1,448,479	1,863,205	2,124,155
4	Linseed	1,506,285	654,210	1,127,607	1,220,643
5	Groundnut	464,248	716,069	1,034,787	1,244,187
6	Safflower	55,524	50,668	88,702	124,234.27
7	Rapeseed	226,277	193,163	746,663	132,793

Source: EPOSPEA, report on Sesame production situation & market trend of Ethiopia, 2013

Fig. 2.3

Graphical Presentation of Yearly Sesame Production since 2009/10



Source: EPOSPEA, report on Sesame production situation & market trend of Ethiopia, 2013

Table 2.2

Area cultivated, production and productivity of Sesame in the last 4 years (Data from CSA)

Year	Area in 'ooo' hectare	Production in tons	Productivity Ton/hectare
2009/10	315.85	260,534	0.83
2010/11	384.68	327,741	0.85
2011/12	328.32	247,783	0.75
2012/13	239.53	181,376	0.76

Source: EPOSPEA, report on Sesame production situation & market trend of Ethiopia, 2013

Table 2.3

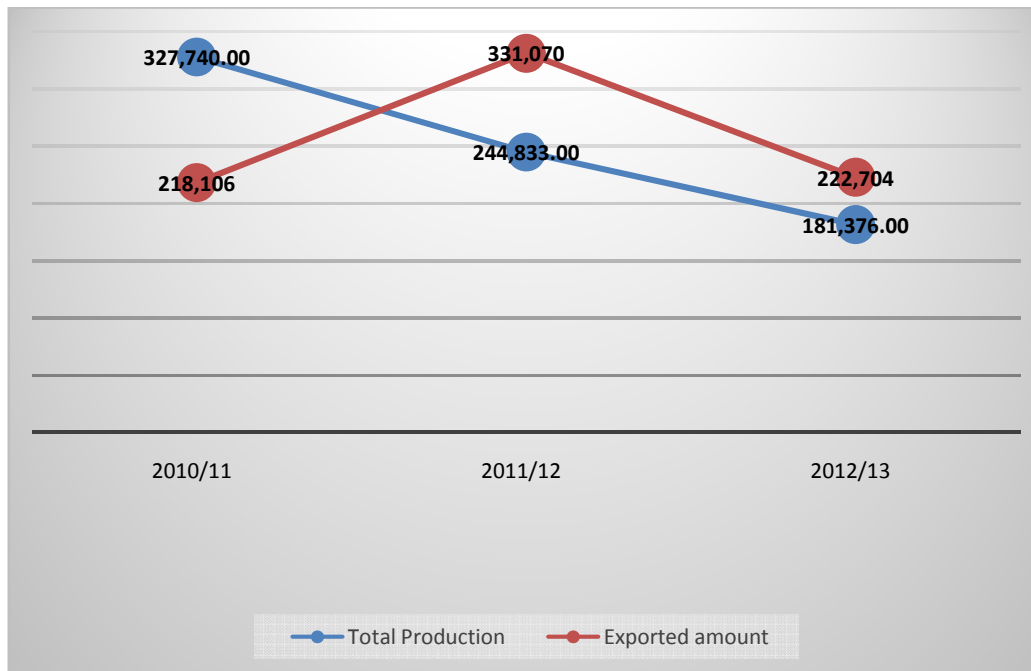
Relation between Production and Export

No	Production Year	Total Production in tons	Export in ton
1	2010/11	327,740	218,106
2	2011/12	244,783	331,070
3	2012/13	181,376	222,704

Source: EPOSPEA, report on Sesame production situation & market trend of Ethiopia, 2013

Total Production and Export Marketshare

Fig.2.4



Source: EPOSPEA, report on Sesame production situation & market trend of Ethiopia, 2013

- The Oilseeds sector production has shown significant increment since the 2010/11 year of production. (see table 1 and chart 1 below)
- Though Sesame Production has shown remarkable increment in the 2010/11 year of production and slight decrement since from that year
- According to data of CSA the production of year 2012/2013 has a record of -25.9 % of the pervious production year.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

The research follows the mixed methodology type. Basically, primary and secondary data are used. Marketing procedures in the sesame transactions involve actors which are all over the crop production areas, places where ECX has got stores for collecting and keeping the seed and the central area where the trade floor is. In an attempt to identify the problems existing in the marketing of the crop, one has to selectively approach a relevant source for the information required. Farmers, brokers, exporters, the trading organization, though not directly, the state is also affecting this transaction somehow.

3.1 Research design

In mixed research methodology, the study has focused on past studies and data from those government and non-government institutes for empirical inputs as primary data. Theoretical concepts and facts are also collected from other actors of the transaction which are assumed to be real close to the process and procedures of marketing of the crop.

Theoretical facts are those which are from the past studies on this matter and are supported with theories from economics, marketing, international trade and other related disciplines. Therefore, the study has given due attention to the areas where such data are available. Secondary data are partially taken care from this source. In addition to this part, statistical data from concerned government bodies like MOT, MOA, ERCA, ESLSE, CSA and other foreign country's organization who have interest on this matter have been utilized as they are available. Countries with trade ties to Ethiopia also have contributed much to the bank of information on the marketing of sesame seed.

3.2 Population and Sampling Techniques

The population on marketing of sesame (oil seeds) is so large that it is difficult to include all for the purpose of information gathering. The population consists of all those who are engaged in the production, distribution, middle men, exporters and stake holders of the business.

For populations that are large, (Godden, 2004) developed the Equation to yield a representative sample proportions. The following sample size formula for infinite population is used to arrive at a representative number of respondents (Godden, 2004):

$$SS = \frac{Z^2 \times P(1-P)}{M^2}$$

Where:

SS= Sample Size for infinite population

Z = Z value (95% confidence level)

P = population proportion (expressed as decimal) (assumed to be 0.5 (50%) since this would provide the maximum sample size).

M = Margin of Error at 7% (0.07)

The researcher preferred 7% margin error because the population is so large that if smaller percentage for error in the formula is selected, the larger the sample size will be. That would be difficult to distribute and collect response within the given frame of time

$$SS \text{ (sample size)} = \frac{(1.96)^2 \times (0.5)(0.5)}{(0.07)^2} = \underline{196}$$

This being the fact, from the said large population relevant to the study, the total number of sample representatives for the various members of the population as per the formula set above is 196. The breakdown of the total into the different actors of the business activity is depicted below.

Table 2.4 **Sample breakdown**

Actors Size	Total	Exporter	Sesame Farmers	Sesame brokers	Public organizations	Private Organizations	Financial Institutions
Total sample size	196	60	35	40	15	16	30

Source: The researcher 2015

One hundred ninety six members of the infinite population are selected as per the formula to calculate sample size provided their accessibility for communication in order to distribute the questionnaire. From the total sample thirty of the organizations which are directly or indirectly related to the marketing procedures are selected for interview. These are from public and private banks, MOT, MOA, ECX, and ERCA, Inspection agencies, shipping agents and forwarders.

Marketing, as has been looked from different academician's outlook is shown in Chapter two of this research. Components of the marketing mix, according to Kotler were Price, product, promotion and place. McCarthy in holistic marketing included, people, process, programs and performance (Kotler and Keller, 2012). With these in mind, the research has attempted to individually consider points of marketing problems in relevant format to the problem statement shown in chapter one.

3.3 Source and Tools/Instruments of Data Collection:

The source for the data collection is majorly, the secondary data based on studies on marketing and marketing problems as a whole. Different research works are available in an attempt to repair what is wrong in the process of marketing of oil seeds in particular, sesame seeds. ECX is one that has appeared to solve some significant issues in this area.

Primary data which are important to witness the situation are the other main source of data for this research. The method of collecting data in this respect is questionnaires, structured interview guides which were forwarded to concerned actors of the marketing society.

In marketing problems research, important variables as Price, product, promotion and place are the points to be studied which should be brought to the attention of the respondents to analyze the fact and learn what the reasons could be for the problems to arise. The components of marketing mix are the variables which show how the system is running. One has to clearly identify the problem areas around price, product, promotion place, or further investigate people, process, programs and performance which were later included by McCarthy. We may reach at one or more of these to be the problem creators. Formation of price and how it is built up matters much to smooth ongoing of the transaction. The quality of the product also plays a

significant role in this respect. Time of availing the product for consumption or processing matters a lot.

3.4 Procedures of Data Collection

The research uses structured interview and questionnaire for collection of primary data. Questionnaires were availed to those actors directly involved in the marketing process. It is obvious that the research won't be able to get all concerned since the number of members in the marketing of oil seeds is so large and widely spread in all directions of the country. It is costly to cover the whole universe directly connected to the oil seeds transaction. The universe is so wide and large.

The best place to meet with most actors except the stakeholders and the farmers is at the ECX trade floor. Brokers, exporters, ECX staff, some cooperatives representatives, sellers and buyers in general do not miss the procedures at the ECX trade floor. Summary of the transaction for the day is available from ECX website.

The researcher prepared questions which are open ended to the respondents both in the questionnaire and structured interview for precise and direct reply. The questions were not of a guiding type but open with options to choose from which the analyst think are relevant and important for the study. Explanation and elaboration together with personal observation on the questions provided were requested from respondents during the interview in particular. The sample size is as per the formula stated by Cochran (1963:75) for infinite population as discussed in 3.1.2

Secondary data is abundantly available for the research too. The researcher intends to fill the gap of information from primary data from literatures, articles, timely bulletins, previous research works of scholars and leaves the remaining to futures research works by those interested to the issue. Research is not one time work or something which can be concluded overnight. It is a continuous business.

Primary data is collected from actors involved in the marketing of sesame seed. It is shown that structured interview questions and questionnaire are distributed to the group and individuals

who are in the vicinity of the research area. That is, those who can be accessed easily with minimum effort and cost. The target population as shown in the above body of the research is all participants in the sesame business activity.

- a) **Farmers and cooperatives** – These enable us to get information regarding the production of the crop, an answer to the supply part of the market. Quality, quantity, time to avail the seed at the trading floor or for the use of buyers from exporters is determined when and how these groups can make it available. In marketing sesame, most complaint arises from quality and time of shipment. Disturbances and conflict between the importer of the seed and the exporter basically begins here. In the case for which this research is prepared, end user of the crop will be the external buyer since domestic consumption of the seed in the local area is so insignificant. Price for the crop is estimated and put into action by farmers with some information they gather from ECX and also from brokers. This price does not put the selling price of exporters into consideration. Information related to how price is formulated can be gathered from the farmers and cooperatives for the purpose of the analysis.
- b) **Brokers or agents** – These people are the intermediaries between the producer (farmer) and the exporter who sells to buyers abroad or to the international market. They charge fees for their fees for acting between the two. Bringing the producer and the supplier together earns them some money which gives a rise to the selling price of the seed at the ECX trading floor. Even though the base price for the crop is the farmers production cost which the farmer does not know in figures, additional mark up is included by the agents as well. Most farmers and agents only run for more money on top of the level ECX has announced as the last transaction price. Usually ECX has regulation that the next day's price will be lower than or higher than by plus or minus 5% of the previous day's level. That does not hold true for farmers or agents offer.
- c) **Ethiopia Commodity Exchange** – This is the organization that was established for the good of commodity exchange. Causes for the establishment are shown in chapter one and two of this research paper. The loss the farmer used to face because of lack of information, the timely payments to middle men and farmers and market knowledge gap

were some of the reasons ECX was there for. It is unfortunately, there still exists a wide gap as the establishment study neglects the exporters in large. Marketing of commodities take place at ECX trade floor. Well-organized data base releases quantity, grade, price and actors involved in the transaction every day to all on the internet on the company website. It has gone far enough in disseminating information to interested group through mobiles, mass media, and the web for the good of those who have utilized what they got at hand easily while the exporter is found to be the victim.

- d) **Exporters** – The major role players who are equally important with the farmers to the ongoing economic activity are this group. They are financially strong but highly dependent on financial institutions. Most trade activities of exporters are run with bank loans which bear a large amount of interest. Exporters expect profit from their transaction. They watch the market moves closely. Many have lost the game and were evicted from the market already while some are still struggling to survive. Members of this group are rich in information over all the marketing process beginning from the farm gate to the sea port.
- e) **MOA, MOT, ERCA, Chamber of commerce, Inspection agencies, and freight transporters** are also active participants in the market of oil seeds. None of them work without collecting service charge from exporters. They are stakeholders. Even though their share in the activity is limited, they have a lot to say about the market.
- f) **NBE, CBE, EIC and other private financial institutes.** All are under the category of financial institutions except that the NBE is a regulatory body for them. Marketing of all export items is closely controlled with these organizations. They have a lot to say on this issue as every step of the transaction passes within the range of their services.
- g) **Regional Administrators** have some knowledge of oil seeds marketing. According to facts compiled in Chapter two, Ethiopia consumes less than 10% of sesame produced in the nation. Because of this, local transaction is so limited. But in production areas where the crop is produced, the administrative region has sufficient information on production and marketed quantity.

3.5 Methods of Data Analysis

The research is analyzed with the use of descriptive statistics based on responses gathered from respondents on the questions provided. Different respondents subjectively observed the questions given to them from different angles. Interpretations to the outcomes are subject to theoretical and empirical directions. This makes up the quantitative method of data analysis.

The qualitative part of data analysis is from conceptual, empirical and theoretical facts gathered from articles, text books, research works of scholars and other working manuals and reports of organizations.

The summation of both methods makes the data analysis of a mixed type. The researcher believed that usage of one of the two may not successfully elaborate and explain the issue at hand. The use

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter deals with the presentation, analysis and interpretation of the data gathered from sesame business society against the research questions. These data were obtained through questionnaire and interview. The sample size as been calculated is based on the formula shown in 3.2.1. The total sample sized reached at was 196. Questionnaires were distributed to all 196. The number of respondents was 175. Of these 175, some have not replied to all questions.

The researcher has chosen to reach the most accessible actors of the trade society to attain the sample figure. All the actors in the sample were conscious about the marketing situation of sesame in the country. Questions left without being answered were only those which seemed irrelevant to the respondent. The farmers were not in a position to answer questions on international trade while the exporters had no idea about how much the agent collects from the farmer. Likewise, questions far beyond the ability of the respondents were left blank.

Interview questions were forwarded to those typically concerned and thought to have answers at hand about a situation and public organization members were contacted for the answers. Far away living farmers were not either neglected for information need to make this research reliable. Thanks to communication technology, it was not difficult to find a farmer or an agent living away from Addis as long as one can get phone number or email or social media ID.

All in all the rate of return for the questionnaire was 89%. That means out of 196 questionnaire papers distributed, 175 have been received responded. The 11% failure was actually because that it was difficult to go through and remind as most of the questionnaire papers were handed to supporters for distribution since some of the sample members were away from Addis Ababa where the researcher was living.

Other reason for not responding to the questionnaire could be because that most were engaged in to their daily business activities and forgot to reply. It should be noted that the practice of questionnaire answering is not well exercised around most areas. Most think that it is a waste of

time while it really is not. Others do not want to get into giving information they know since they think that they are exposing someone or even think that they could put themselves in jeopardy.

4.1 Result/Finding of the study

4.1.1 General Characteristics of the Respondents

The following table shows the demographic characteristics of respondents which include sex, age distribution and educational background level. The impacts of general characteristics are aimed to be part of the questioner as there is a lot of influence to the subject matter from these elements. (Refer to Table 4.5)

As shown above in table 1, out of 175 respondents selected, 108 or (62%) of them were Male while the remaining 67 or (38%) of them were Female. This clearly indicates that the bigger portion of respondents were male.

Regarding item 2 of the same table above, 36 or (20%) of them lie between the age range of 20-28 years, 44 or (25%) of them under the age limit of 29-38. This shows 45% of the respondents are young and Forty Five (26%) of them are between 39 & 49. This are groups with in the middle age. The remaining 50 or (29%) are above 49 years of age. The group is of middle and older age. This group is assumed to be experienced and knowledgeable.

With regard to educational background of the respondents, as shown in item 3, Thirty six or (21%) of them have completed primary school, that is from grade 1-8, 34 or (19%) of them have completed grades 9-12. 51 or (29%) of the remaining respondents are diploma graduates, 42 or (24%) of them are first degree holders and the rest 12 or (7%) have post graduate degrees and above. This shows that most respondents are graduates with diploma.

Experience of the respondents in the field was the fourth variable that was considered for evaluation. As can be seen in the table above, 30 or 17% of the sample had an experience of less than a year. This could be in the field of farming, broker, exporting, or other activities in the trade mentioned above. 35 or 20% of the respondents had been in the sesame production or trade activities between one and five years. Those respondents who stayed in the field for a time of six to 10 years are 55 in numbers constituting 31% of the sample. 30 or 17% stayed in the

business for a time of 11 to 15 years. Finally the number of respondents who had the biggest experience in the transaction is 25 or 14%. The time is more than 16 years.

There are eight major actors in the sesame marketing system. Of the 175 respondents selected from the total population, participants in the questionnaires are partitioned as follows. Farmers and cooperatives contribute 22% or 38 in number. 48 or 27% of the total sample size are exporters. 44 or 25% of the respondents are brokers. 16 respondents or 9% are from financial institutions like banks, insurance and national bank. Public organizations from MOA, MOT, FIRA and others participation is 11 or 6% while the respondents from private organizations like quality inspection agencies, pest control, transporters and service renders are 7 or got 4% share. Respondents from EPOSPEA, the exporters Association were 3 or 2% of the sample size. The last but not least respondents are from ECX who were 8 or 5% of the sample.

In the marketing setup of sesame, it is difficult to segregate any of the mentioned actors as they all contribute a lot at certain levels. The researcher has given equal attention expecting something from each of them. A move from any one of the participants in the marketing system affects the outcome somehow. It is the sum total of all actions from every direction at a certain time of point that either inflates or suppresses price of the crop. Government policy, social rules, economic policies, moral rules, individual interests alter the trade direction and transaction frequency. (See Table A6)

4.2 Analysis of Finding of the Study

4.2.1 Responses on Price related questionnaires

The research attempted to treat the four Ps of marketing mix expecting individual contribution of each mix to the problem statement of the analysis. From responses to the questionnaire on marketing mix the researcher has collected the following points which were important to find out indicative answers to the marketing problem in question. (Refer to Table A1)

- When asked if farm gate price of sesame was reasonable (not exaggerated) more than half of respondents agreed in general to the point while nearly equal but lower by some points disagreed to the forwarded statement. Whatever the outcome to the question was,

most have said that farm gate price is not exaggerated. We shall discuss this further in the coming chapter.

- The second question on price was about demand and supply influence on sesame price in Ethiopia. Surprisingly, about 68% of the respondents agreed that the local price does not follow the economic terminology of demand and supply. 28% did not accept this statement. Less than 3% remained neutral.
- The question about price being the base for change in demand and production was well accepted by 91% of the sample size. The remaining was neutral and none disagreed.
- 100% of the respondents accepted that every activity in the transaction affects price formation or price level.
- The response to all actors being responsible for poor price to sesame in the country was replied as disagreed at different degree summing up to 60%. 35.43% agreed to be so while only 4 abstained.
- A little more than 50% of the sample agreed that the exporters are conscious of external price being low and still buys at disproportional high price locally. About 40% disagreed to the statement. 8.57% remained neutral.
- 53% of the sample asked to reply that farmers and agents do not have any idea on international price agreed so. The remaining portion which was about 47% did not agree but showed that both actors do know about external price.
- 68% of the respondents in general agreed that the local price of sesame is not following the international price. A little higher than 22% disagreed and 8.57% did not comment on this point.

4.2.2 Responses on Product related questionnaires

- The question about supply (production volume) depending only on the interest of the farmers was agreed by more than 86% and the remaining were neutral.
- The higher the return the farmer gets, the better will be production. This statement was fully agreed but only 1.14 did not say anything.

- Local and export prices were affected by supply question was responded as agreed and disagreed equally. Both sides took the idea of supply affecting price while 2.86% of the respondents abstained from accepting both alternatives.
- When asked if the move of sesame from the farmers to the end user, exporter in the Ethiopian case is a civilized one as compared to the pre ECX days, all with different degree agreed fully.
- The idea that ECX by passed other factors that contribute to supply increase and emphasized only the supply of price information was again fully agreed. 2.86% did not comment on this point.
- ECX's objective to increase production of sesame by backing up the farmers with reliable information was an accepted strategy for supply increment. This statement was generally agreed by 85% and the other 15% were neutral.

4.2.3 Responses on Promotion related questionnaires

- Promotion of the seed in any way possible could have brought a better return. A little higher than 74% agreed and accepted this point while about 25% disagreed as a whole.
- 31% of the respondents agreed to the statement “We need promotion only for value added products. Natural sesame seed does not need so.” 68% and few more did not agree to this point.
- The country could earn more if the crop was processed and promoted for export.45% and 42% of the sample agreed and disagreed consecutively on this point and 13% to the nearest stayed neutral.
- 57% of the respondents agreed that promotion of the crop can change the marketing condition of sesame seeds. But 43% did not agree to this point.

4.2.4 Responses on Place related questionnaires

- Sesame is cheaper externally than the local market is agreed by 34% and rejected by 45% while the remaining 18% did not comment for either side.

- 43% of the questionnaire participant sided for the statement that was put as “The need for Ethiopian sesame is higher in the international market. That is why it is well paid for” the other 57% did not agree to this point. None remained neutral.
- All actors have clear idea about the sesame quality. This was agreed generally by 77%, disagreed by 20% and 3% were neutral.
- 54% agreed that China buys most of Ethiopian sesame seed because China knows the quality well. 46% did not accept this idea.
- 46% of the participants agreed and 49% did not agree that sesame regardless of area produced is improving both in quality and quantity. 5% are neutral.

4.2.5 Responses on General Question about marketing of sesame related questionnaires

- The comment if ECX’s contribution to the business is positive with regard to its objective was accepted by 56.57% while 36% did not agree. 7.43% stayed neutral.
- The situation where there are exporters working as local suppliers via their agents locally 37.71% did not buy the idea and 25.15 disagreed. Surprisingly, the majority 37.14% did not want to say anything on this issue.
- 74.28% of the respondents generally agreed that exporters manipulate sesame market price and 20.58 strongly disagreed. The neutrals were 5.14%.
- The objective of ECX did not support the interest of exporters. This was agreed by 51.42%, 33.72% disagreed in general. 14.86% were neutral.
- 63.43% commented that marketing of sesame being affected by the existence of many actors. 17.14% did not accept to this statement. 19.43% neither accepted nor disagreed.
- 54.28% of respondents generally agreed to the situation where ECX collects sesame from farmers and avails for sell at its floor. 29.72% disagreed and 16% remained neutral.
- 62.85% of the participants positively commented that free market concept affects price control of sesame. 31.44% disagreed to this point and the remaining 5.71% were neutral.

4.3 Interpretation and Discussion

Most replies were forwarded from participants in their own level of understanding. Some were skeptical in their way of answering. They might have thought that their feelings could be revealed to whoever is concerned about it. Some points in the questionnaires were more of technical and all respondents were not expected to answer them. Economics related questions or specialized discipline points raised may not be so easy for everyone to accept or reject. Therefore, in the analysis of the questionnaire the researcher has noticed that replies to sensitive issues were deliberately responded as neutral or checked irrelevant choices from the alternatives left to them. An understanding has been gathered that neutral was in most places meant to replace “I do not know” or I do not care. Even during an interview with actors of the transaction were made, some politely requested for skipping to comment on sensitive questions or issues. The researcher expected more from those who were directly involved in the trade activities of sesame. The outcome was not satisfactory since members of the sample either did not have the idea what the questionnaire is about or just wanted to avoid the issue.(Refer to Table A1)

Let us go back to the first chapter and recall the research questions:

- What were the challenges faced by ECX in the ongoing functions of the organization?
- What are the ways of price control for the product?
- Who benefits from the daily market price information posted?
- What is to be done so that ECX can achieve its objectives?
- What should be done to control transportation charges?

Challenges of ECX with respect to price were not significant. Responses from the participants did not indicate any clear problem as being raised by ECX. Local price control being subject to the interest of actors like farmers, agents, suppliers, and exporters was the one of the main issue to the marketing mix practice and challenge. It has been the regular exercise of ECX to see that the trade floor price change margins are kept. Plus or minus is only allowed at a level of 5% up or down based on previous day’s transaction price of a product at ECX. (ECX, 2009). Everyone in the business knows that ECX has got not interference to price changes but is limited to control so that the daily changes are within the given dimensions. Whatever change is realized

at the ECX trade floor, it is up to the buyer and seller including the brokers. Therefore, it is the action of the actors within the business that allows any positive or negative consequence to the business activity. Again we can observe that exchanges outside ECX have always been the main problem of marketing. One can ask the determinants of price at farm gate level, brokers' level and suppliers' level until the crop enters the ECX exchange process. These are the indicators to ECX initial base price of any product exchanged at ECX. Sesame is regularly available at ECX warehouse and ready for exchange at the trade floor as long as production of the season is harvested and transported to the place. There was no need for promotional activities as the seed is well known and profitable in the country. With regard to distribution, the other major problem source is transportation. Charges for this service are not stable. Owners or associations change their prices for transportation as they wish and ECX and export price is highly affected as a result of this.

The ethics of the business allows transparent information exchange internationally. It is a pity that this act has affected the exporters adversely. All the actors who are engaged in the business process until the seed comes to ECX for exchange benefit from the daily transaction price report. It helps them follow the path and adjust their price since they are the one who fix the base price. The surprising thing about the posted price is that foreign importers of the crops which are exchanged in ECX benefit a lot. They get reliable price information that enables them to negotiate export price towards their own end. The responses from the questionnaires have indicated that farmers, agents, suppliers and public organizations showed that the daily price update has benefited them. Exporters did not accept this idea while they think the procedure is right but should be done in a way that it also enables them to benefit. Late hour posting of price updates may help exporters negotiate export prices better. This solution may give them the upper hand to strongly bargain over their product's exchange price. The better the export price is, the better the amount of foreign currency the country gets.

The role of ECX in this trading activity is well accepted by most of the sample representatives. Objectives of ECX were understood and the establishment was also something longed for. Unfortunately, except some most privileged groups, some did not like the establishment of this

organization. Again we will bring up some of the then existing problems which ECX was aimed to resolve.

- a) High contract default
- b) Unreliable supply
- c) Volatile prices
- d) Poor quality
- e) Unreliable trading practices
- f) Poor information
- g) Unregulated actors
- h) Uncoordinated markets
- i) High costs, high risks (ECX, 2008)

Contract default was highly improved, no question about this. The unreliability of supply has not been changed much. Still the farmer and suppliers speculate the market and drain the stock which was to be exchanged at the ECX. The farmers, brokers and suppliers follow the price path only when it is rising and keep it down when the trend begins to follow waiting for increase. Price volatility could not be regulated. ECX managed to do so only at its own capacity. Farmers', agents' and suppliers' level were beyond the control of ECX. This level makes the base price and does affect the exporters' price. The respondents confirmed that ECX has never involved in quality control. The complicated corruption activity has hindered the organization from accomplishing what it is meant for. Some have responded that the current situation is better with regard to corruption. But the quality point should have gone down to farm. If this was the objective of ECX, partial concern over quality is not acceptable. Even though this organization was able to control quality at some degree while the seed is within the range of its control, the effect is not big enough to promote the crop for export. Some including exporters firmly debate that ECX should have advised or worked together with someone responsible about quality, like MOA.

Unreliable trading practices can be said that it has been achieved by ECX according to the responses from the sample representatives. The release of updated price information to only limited actors is fine. How about information needed by exporters? The sector includes all

actors who deserve equal attention from ECX. Exporters are even further affected adversely by the posting of updated crop prices. Importers of the crop get information directly from ECX website and use the information to control over price negotiation. Late posting may help, as some respondents of the questionnaires reflected. They raised a point about exporters having an upper hand over the price negotiation if the information is released a little late than the usual known release time.

Unregulated actors and uncoordinated market should not have been brought up together as an objective to ECX. The question of unregulated actors is suspected to be the major source of problem. If this could be rechecked and a solution can be found, the whole problem may be resolved potentially. The objective of coordinating the market can be said achieved at the current level of understanding.

High cost and high risk conditions may be treated separately. For high cost, the respondents reacted as being aggravated rather than being solved. High risk as problem to be settled did not either works for ECX. Cost of sesame export never came down since the establishment of ECX. It showed an increase since 2008. Actually, though price of the product was increasing a proportionate rise of export price was realized for some time which was followed by a sharp increase in domestic price and a decline in export price.

In general, the researcher observed that ECX has worked out most of its objectives while there are more to be attained or revised. Therefore the practice and challenge in the marketing mix with respect to sesame, is being attempted by ECX progressively. Some objectives should be seen and revised. Exporters think that they are neglected because they are victims of price increase.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter comprises of four sections, which include summary of findings, conclusions, limitations of the study and recommendations.

- Summary of findings will be drawn from the results discussed under chapter four.
- Conclusions will be drawn from the summary of findings
- Any limitations that could have effect on the conclusions will be specified.
- It will be shown that recommendations are practical.

5.1 Summary

It is shown in the previous chapters that sesame is locally consumed rarely. Since export of the crop has been realized about ten years ago, almost all production of the seed is sent to the other world to gain foreign currency for the country. Sesame is used as confectionary, bread spread, medicine and oil. Most countries all over the world with limited consumption rate to USA utilize the crop in different ways. China together with the Far East countries and the Middle East consume most while EU nations also make their food from sesame.

The research covered the marketing mixes, price, product, place and promotion parts in order to find out where the marketing problem could be. The secondary data obtained from the sample population was analyzed against the facts from the primary data. Articles, research works and books on sesame marketing processes were the basis for this work. The researcher being one of the members of the actors as an exporter participant had understood that there are problems in marketing this product. The problems are difficult to find where their sources are. This research work is aimed that it could identify some of the problems and also let others to work and find out more effectively by using this as a ground.

Responses on questionnaires and reply to interview questions gathered were more of contradictory ones. Respondents were skeptical in attempting the questionnaire. Most did not feel responsible while giving their comments. If the statement forwarded is against the interest of the respondent, the response is brought up on the opposite direction. For example, a reply to a

comment about farm gate price not being exaggerated was positive for exporters and negative for farmers and brokers. Some common questions which neither affected any of the respondents were replied reasonably.

The responses from the questionnaire participants cannot be ignored as useless. The research has gathered some facts and indications that there are marketing problems. The following points summarized from the questionnaire have got something to say about the statement of the problem.

- ❖ Even though, the point about price being exaggerated at farm gate is attempted differently, it is implied that this price has affected the overall exchange transaction because it is beyond the control of none of the actors but only the farmers.
- ❖ Sesame price in Ethiopia is not influenced by the economic theory that states price is affected by demand and supply of the product.
- ❖ It is truly identified that price is the basis for demand and supply of sesame.
- ❖ All actors involved in the transaction of sesame trade get some profit from their activity. That is the mark up on previous price of the crop keeps on increasing the price of the seed as the number of participants in this field increase.
- ❖ Some actors look for profit higher than their contribution, rather exaggerated which in turn affects the final exporters price for the foreign importer.
- ❖ Exporters involve in the market with full knowledge but yet complain about losses.
- ❖ ECX has modernized sesame marketing.
- ❖ All respondents replied from their own advantage point of view.
- ❖ Free market policy has encouraged every actor to move his own way.

5.2 Conclusion

The research reached to a conclusion that sesame being the second foreign currency earner, should be given due attention as the path it is following currently is dangerous. International price and local price are not reconciled. Whichever direction international price is moving, the

local or domestic price takes its own way. It is observed that exporters who loose on sesame transaction have got a compensating import business. This does not help the nation's balance of trade. A loss on incoming currency and indirectly another loss due to payments in foreign currency have enabled the economy to get closed with negative balance of trade.

It is clear that the farmer as a producer is interested to produce more if he gets a better return. With help of technology and ECX, all information the farmer needs is there for him. The quantity sold and prevailing price of the period is posted or can be requested and gathered by the farmer easily. That is all what the farmers need provided a favorable weather condition and a consistent market for their product. The researcher understood that the farmers of the agents (brokers) do not have much concern or idea about what is going on externally. They rather talk of unrealistic price status in order that their stock is sold to exporters.

Quality of sesame has deteriorated due to extensive use of the soil. The farmers are aware that sesame price is showing an upward tendency every time. Crop rotation concept is neglected and the farm is forced to produce only that crop which can be sold for a better price. Scientific farming methods are ignored. This is also another setback of the marketing problem which is prevailing in the country.

The unity of the idea of domestic market relying on external market has lost its connection. This is so because the establishment of ECX did not consider the exporters' activity in the sesame marketing system. All that was focused was the "poor" farmer who never got correct information and was selling his crop for price that he does not deserve. Whom does the farmer sell? This was a question which was overlooked. The other question is, are all information with regard to sesame market or other crops sold in ECX floor, given due care that they pass on to the needy properly? Again here it has been gathered that information from the source are mostly incorrectly transmitted so that the other party is misled.

Other stake holders with in the sesame transaction activity know a lot about the price flow internally and externally, but never advise the agents accordingly. MOT imposes regulation that

exporter sell their stock without delay so that the country gets its foreign currency. The financial institutes push the exporters to increase the number of the turnover so that they get better interest from their advances. Transportation charges are other costs which is highly affecting the cost of sesame every time at each level. Service charges from ECX, MOA, MOT, ERCA, inspection agencies, and fumigators, associations, chamber of commerce and others related to this business affect the price of sesame negatively. These groups understand the international and domestic market situation but do not support but always think that there is good money from the business and hence are heavily charged.

Therefore, the above being some of the results gathered from the analysis, the researcher recommends the following as a long run remedy to the sesame marketing problem existing currently

.

5.3 Limitation

The researcher's need for reliable responses from the sample population selected was limited. Responses from questionnaires and interview participants were not genuinely forwarded. The subject being vast requires these elements in order to make the reliability margin acceptable. It is unfortunate that the resources to facilitate the research were not as required.

Other limitations were relevant studies, articles, and books for the research work. The researcher believes that the fulfillment of the above could have minimized the error margin.

5.4 Recommendation

- The big number of actors in the business has affected the price of sesame adversely. Every group requires an extra charge on top of the price they acquire the crop. This, from social economy point of view is positive. But from National point of view, it prohibits the exporter from active participation in the world sesame transaction.

- If the above point is not working in order to let all participants gain from the activity, then the researcher recommends the state to subsidize the business like other countries like India giving 5% to this business.
- Extra charges at all levels of the transaction should be reduced. ECX warehouse charges, transportation charges, regional duty charges, and bank interest from private banks which is more than 3% above the level CBE interest level are some of them.
- Farmers must be taught to use crop rotation for a better future production.
- Revision of on government policy is expected for a healthy export business. There is a committee in support of the export sector with members from higher government officials. It is unfortunate that, even though these groups are meeting regularly for the good of the sector, the marketing problem of sesame has never changed.
- Introduction of promotion for the crop is indispensable. Worldwide promotional work in order to introduce the product will be beneficial.
- Focus on commitment to fulfill a contract and supply of quality crop can make the greatest change in the market. Default in contract from both parties side is become a culture in the business society of oilseeds and pulses. This happen when there is a change in price for the product. Unless illegal actions as such are improved, it will damage the image of the nation and put future business relationship at risk. We need to work hard to remove the already spoiled name of the business.

Finally this paper is not complete at its current stage. It is not exhaustive to clearly indicate all the marketing problems of sesame in Ethiopia. The researcher rather hopes that others will make this paper a base for better findings and solutions.

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APPENDICES

Table A1
Assessment of questionnaires summary

No.	Questions	Strongly Agree	Agree	Neutral	Strongly Disagree	Disagree	Total%
Price							
1	The farm gate price is reasonable (Not exaggerated).	34.29	20.00	-	40.00	5.71	100.00
2	Sesame price in Ethiopia does not follow the rule of demand and supply.	31.43	37.14	2.86	22.86	5.71	100.00
3	Price is the foundation for the change in demand and production volume	88.57	2.86	8.57	-	-	100.00
4	Every activity in the sesame transaction seriously affects price formation	97.71	2.29	-	-	-	100.00
5	All actors in the transaction from the farm gate to the port, contribute to the poor pricing method	20.00	15.43	4.00	42.86	17.71	100.00
6	The exporter knows that the external price is down and still buys the seed at higher inappropriate price locally.	21.71	28.57	8.57	18.29	22.86	100.00
7	The farmers and agents do not have sufficient knowledge about world sesame market.	27.43	25.71	-	21.15	25.71	100.00
8	Local sesame price does not follow the international market trend. It moves on its own line	44.00	24.57	8.57	-	22.86	100.00
	Average	45.64	19.57	4.07	18.15	12.57	100.00
Product							
9	Supply (production volume) depends only on the interest of the farmers	54.29	32.57	13.14	-	-	100.00
10	The higher the return the farmer gets, the better will be production	98.86	-	1.14	-	-	100.00
11	Supply does affect local and export price of sesame seed in Ethiopia	25.71	22.86	2.86	25.71	22.86	100.00
12	Nowadays, the move of sesame from the farmers to the end user, exporter in the Ethiopian case is a civilized one as compared to the pre ECX days.	57.14	42.86	-	-	-	100.00
13	ECX by passed the idea of other factors that contribute to supply increase and emphasized only the	50.28	46.86	2.86	-	-	100.00

No.	Questions	Strongly Agree	Agree	Neutral	Strongly Disagree	Disagree	Total%
	supply of price information						
14	ECX's objective to increase production of sesame by backing up the farmers with reliable information was an accepted strategy for supply increment.	45.71	40.00	14.29	-	-	100.00
	Average	55.33	30.86	5.72	4.29	3.81	100.00
Promotion							
15	Promotion of the seed in any way possible could have brought a better return	48.57	25.71	-	11.43	14.29	100.00
16	We need promotion only for value added products. Natural sesame seed does not need so	20.00	11.43	-	37.14	31.43	100.00
17	Ethiopia could have earned more than the price for raw seed if the crop was processed and promoted.	32.00	13.14	12.57	21.71	20.58	100.00
18	Promotion of the crop can change the marketing condition of sesame seeds	29.71	28.57	-	16.57	25.15	100.00
	Average	32.57	19.71	3.14	21.71	22.86	100.00
Place							
19	Sesame is cheaper externally than the local market.	7.43	26.29	18.29	22.29	25.70	100.00
20	The need for Ethiopian sesame is higher in the international market. That is why it is well paid for.	20.00	22.86	-	40.00	17.14	100.00
21	All actors have clear idea about the sesame quality produced anywhere.	40.00	37.14	2.86	14.29	5.71	100.00
22	China buys most of Ethiopian sesame seed. That is because China knows the quality well.	31.43	22.86	-	28.57	17.14	100.00
23	Currently, sesame seed produced everywhere is improving both in volume and quality.	31.43	14.86	5.14	33.14	15.43	100.00
	Average	26.06	24.80	5.26	27.66	16.22	100.00
General Question about marketing of sesame							
24	ECX's contribution to the business is positive with regard to its objective	28.00	28.57	7.43	6.29	29.71	100.00

No.	Questions	Strongly Agree	Agree	Neutral	Strongly Disagree	Disagree	Total%
25	There are exporters working as local suppliers via their agents locally.	16.57	21.14	37.14	12.00	13.15	100.00
26	Sesame price is mostly manipulated by Exporters in the market.	45.71	28.57	5.14	20.58	-	100.00
27	The objective of ECX has not supported the interest of exporters	36.00	15.42	14.86	14.86	18.86	100.00
28	Marketing of the crop is affected because there are many actors involved.	40.57	22.86	19.43	4.57	12.57	100.00
29	It is better if ECX collects the crop from farmers and avails for sell at its trade floor.	37.14	17.14	16.00	12.57	17.15	100.00
30	Free market concept has affected price control of sesame	45.71	17.14	5.71	11.44	20.00	100.00
	Average	35.67	21.55	15.10	11.76	15.92	100.00

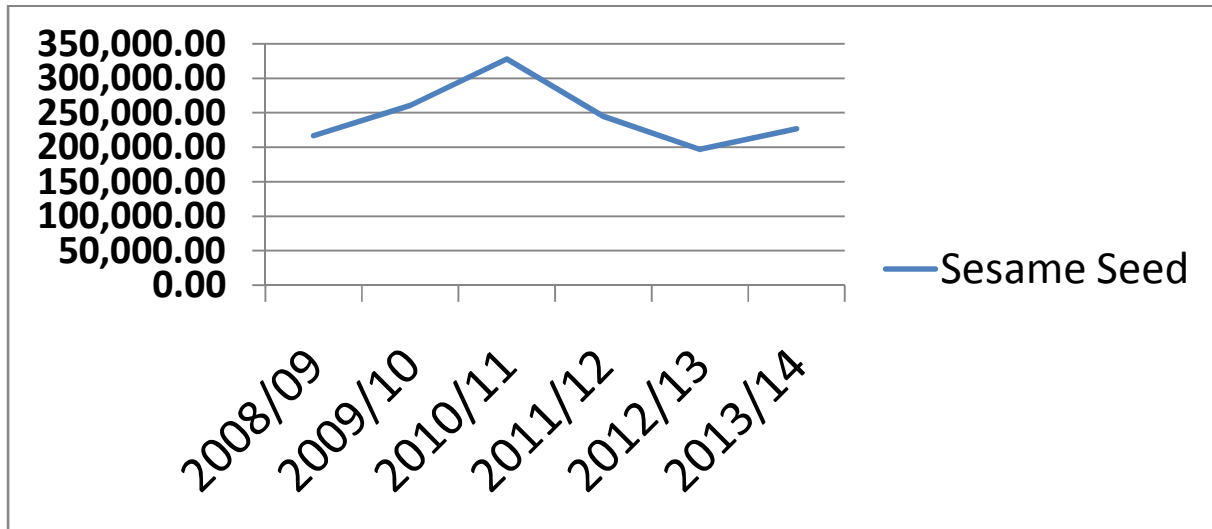
Table A2

Export performance of Sesame Seed at National Level (2010/11- 2012/13)

No	Year of Export	Exported Amount in Tone												
		July	August	Sept	October	Nov	Decem ber	Jan	Feb	March	April	May	June	Total
1	2010/11	15,929	19,441	6,284	4,599	3,551	15,557.2	21,074	39,322	23,366	13,468	33,281	22,234	218,106
2	2011/12	36,204.3	11,871.5	11,716.4	8,087.8	8,203.8	28,885.7	46,054.6	50,052	43,175.6	32,826.0	30,809	23,183.1	331,070
3	2012/13	9,136	16,175.5	7,243	5,342	20,857.8	32,543.8	23,682.8	32,687.2	19,487	20,712	19,230	15,608	222,704

Source: EPOSPEA, report on Sesame production situation & market trend of Ethiopia, 2013

Fig. A1
SESAME PRODUCTION TREND



Source: EPOSPEA Report on conference on pulses, oil seeds and spices 2014

Fig.A2
Export volume for the period of 2011-2013

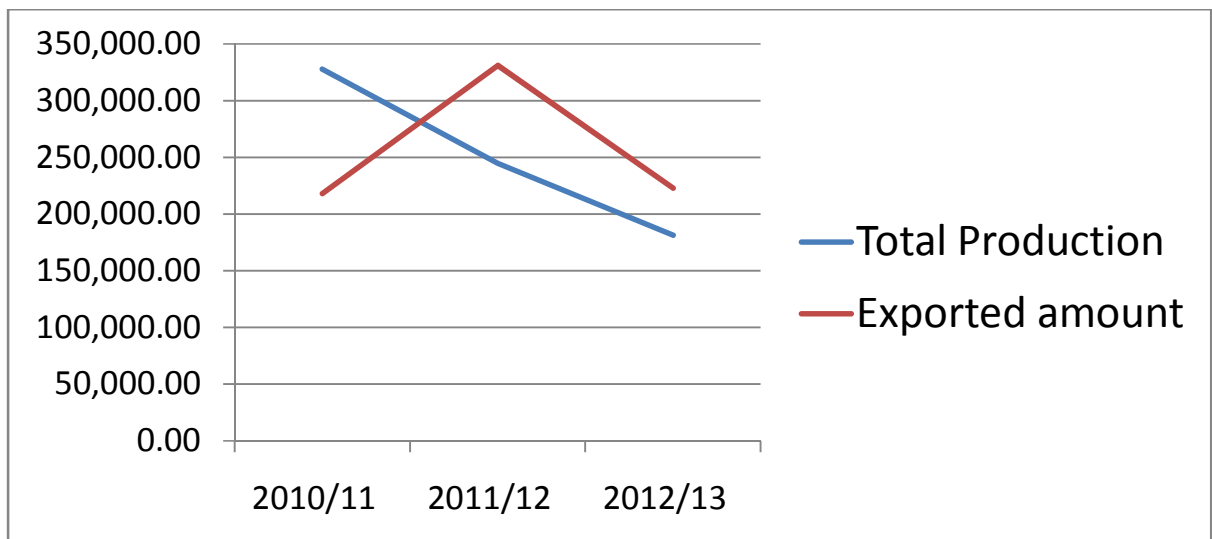


Table A3

SESAME CULTIVATED AREA AND PRODUCTIVITY

Year	Hectares cultivated in 000 's	Production in tons	Ton /hectare
2009/2010	315.85	260,534	0.83
2010/2011	384.64	327,741	0.85
2011/2012	328.32	247,783	0.75
2012/2013	239.53	197,130	0.82
2013/2014	282.96	227,000	0.80

Source: EPOSPEA Report on conference on pulses, oil seeds and spices 2014

Table A4

Export Performance of sesame by destination

No.	COUNTRY OF DESTINATION	Weight in Tons	FOB VALUE in USD	Share of volume
1	China	164,676	373,058,618	61.0%
2	Israel	41,672	96,472,894	15.5%
3	Turkey	16,088	37,691,562	6.0%
4	Jordan	10,180	23,447,967	3.8%
5	Saudi Arabia	7,228	16,909,169	2.7%
6	Greece	5,795	13,582,317	2.0%
7	Korea, Republic of	4,627	11,479,239	1.7%
8	Japan	4,123	10,098,026	1.5%
9	Lebanon	2,090	5,118,919	0.8%
10	Egypt	1,969	4,835,400	0.7%
11	United Arab Emirates	1,862	4,439,160	0.7%
12	Yemen	1,757	3,596,640	0.7%
13	Viet Nam	1,368	3,188,390	0.5%
14	Kuwait	1,154	2,679,427	0.4%
15	Algeria	1,045	2,289,690	0.4%
16	Other countries(18)	4,088	9,111,648	1.5%

Source: EPOSPEA Report on conference on pulses, oil seeds and spices 2014

Table A5 TOP FIVE GOLOBAL EXPORTERS OF SESAME
(In thousands of MT)

No.	Countries	2011/2012	2012/2013	Share during 2012-13(%)
1	India	389	300	23
2	Ethiopia	313	230	18
3	Nigeria	152	155	12
4	Sudan	92	155	12
5	Tanzania	94	75	6
6	Other	356	355	29
7	Total	1396	1270	100

Source: Oil world, 2013(Oct-Sept)/DGCIS (April – March)

China is the largest importer of sesame seed in world accounting for a share of about 28% followed by Japan with a share of about 11%.

Table A6 Characteristics of the Respondents

Variable	Characteristics category/Item	Respondents		Total	
		Number	Percent	Number	Percent
Sex	Male	138	79	175	100
	Female	37	21		
Age	20-28 Year	36	20	175	100
	29-38 Year	44	25		
	39-49 Year	45	26		
	Above 49 Year	50	29		
Education Background	Primary	36	21	175	100
	Secondary	34	19		
	Diploma	51	29		
	First Degree	42	24		
	Masters & above	12	7		
Experience In the business field	Less than one year	30	17	175	100
	1-5 years	35	20		
	6-10 years	55	31		
	11-15 years	30	17		
	More than 15 years	25	14		
Actors	Farmers/Cooperatives	38	22	175	100
	Exporters	48	27		
	Brokers	44	25		
	Financial Institutions	16	9		
	Public organizations	11	6		
	Private organizations	7	4		
	Exporters' Association	3	2		
	ECX	8	5		

STRUCTURED INTERVIEW QUESTIONS

1. Is it possible to say that there are problems in sesame (oil seeds) marketing in Ethiopia?
2. Is the sesame export business profitable? Why?
3. Who owns the major marketing role in Ethiopia?
4. Do you think farmers will keep on getting more income from sesame sales indefinitely?
5. If the objective of high income for farmers is true, and on the other side the exporter is not able to export the crop because of external price decline, will sesame production increase? Why?
6. If ECX could manage the stock from the farmers, the extra charge to middle men which inflates the crop's price at ECX would decrease and hence an increase in participation at the international market. Do you agree with this statement?
7. What are the major reasons which could be problems to the marketing of sesame?
8. Marketing involves price, place, promotion and product. Which one affects marketing as a whole in Ethiopian sesame market?
9. Do you think sesame export business is profitable? If not, why are there many exporters?
10. How much will be the contribution of transport cost to the total cost of export?
11. Is it possible that Ethiopia Commodity Exchange can meet the requirements parties involved in the marketing of the commodities?
12. Which most affects the sesame marketing in the Ethiopian case? Supply, demand, foreign currency rate, other countries exporters, local agents, the government policy, financial institutions, public organizations, and or etc...
13. When do you think such negative profit earning will stop in the sesame business? And how?
14. What is the reason that exporters offer high prices locally while export prices are so low?

QUESTIONNAIRES

Respondents' information

- a) Sex: Male Female
- b) Age: Under 25 between 25 & 35 between 36 & 50 Above 50
- c) Education:- Primary Secondary Diploma Degree Above degree
- d) Occupation:- Financial Institution Exporter Agents Public organization
Private Farmers/Cooperatives ECX Export Association Supplier

Please choose the best fit as per your opinion and put “✓” in the box provided for the statement.

1. The farm gate price is reasonable (Not exaggerated).
 I strongly agree disagree Neutral I strongly disagree I disagree
2. Sesame price in Ethiopia does not follow the rule of demand and supply
 I strongly agree disagree Neutral I strongly disagree I disagree
3. Price is the foundation for the change in demand and production volume.
 I strongly agree disagree Neutral I strongly disagree I disagree
4. Every activity in the sesame transaction seriously affects price formation.
 I strongly agree disagree Neutral I strongly disagree I disagree
5. All actors in the transaction from the farm gate to the port, all contribute to the poor pricing method.
 I strongly agree disagree Neutral I strongly disagree I disagree
6. The exporter knows that the external price is down and still buys the seed at higher inappropriate price.
 I strongly agree disagree Neutral I strongly disagree I disagree
7. The farmers and agents do not have sufficient knowledge about world sesame market.
 I strongly agree disagree Neutral I strongly disagree I disagree

8. Local sesame price does not follow the international market trend. It is by itself.

I strongly agree disagree Neutral I strongly disagree I disagree

9. Supply (production volume) depends only on the interest of the farmers.

I strongly agree disagree Neutral I strongly disagree I disagree

10. The higher the return the farmer gets, the better will be production.

I strongly agree disagree Neutral I strongly disagree I disagree

11. Supply does affect local and export price of sesame seed in Ethiopia.

I strongly agree disagree Neutral I strongly disagree I disagree

12. Nowadays, the move of sesame from the farmers to the end user, exporter in the Ethiopian case is a civilized one as compared to the pre ECX days.

I strongly agree disagree Neutral I strongly disagree I disagree

13. ECX by passed the idea of other factors that contribute to supply increase and emphasized only the supply of price information.

I strongly agree disagree Neutral I strongly disagree I disagree

14. ECX's objective to increase production of sesame by backing up the farmers with reliable information was an accepted strategy for supply increment.

I strongly agree disagree Neutral I strongly disagree I disagree

15. Promotion of the seed in any way possible could have brought a better return.

I strongly agree disagree Neutral I strongly disagree I disagree

16. We need promotion only for value added product. Natural sesame seed does not need so.

I strongly agree disagree Neutral I strongly disagree I disagree

17. Ethiopia could have earned more than the price for raw seed if the crop was processed.

I strongly agree disagree Neutral I strongly disagree I disagree

18. Promotion of the crop can change the marketing condition of sesame seeds.

I strongly agree disagree Neutral I strongly disagree I disagree

19. Sesame is cheaper externally than the local market.

I strongly agree disagree Neutral I strongly disagree I disagree

20. The need for Ethiopian sesame is higher in the international market. That is why it is well paid for.

I strongly agree disagree Neutral I strongly disagree I disagree

21. Sesame is not consumed much locally. Most supply is for export. And yet all actors know which has a better or lower quality.

I strongly agree disagree Neutral I strongly disagree I disagree

22. China buys most of the Ethiopian sesame seed. That is because it is only China who consumes this crop well in the world.

I strongly agree disagree Neutral I strongly disagree I disagree

23. Current production of sesame seed is improving both in volume and quality.

I strongly agree disagree Neutral I strongly disagree I disagree

24. ECX's contribution to the business is positive with regard to its objective.

I strongly agree disagree Neutral I strongly disagree I disagree

25. There are exporters working as local suppliers via their agents locally.

I strongly agree disagree Neutral I strongly disagree I disagree

26. Sesame price is mostly manipulated by Exporters in the market.

I strongly agree disagree Neutral I strongly disagree I disagree

27. The objective of ECX has not supported the interest of exporters.

I strongly agree disagree Neutral I strongly disagree I disagree

28. Marketing of the crop is affected because there are many actors involved.

I strongly agree disagree Neutral I strongly disagree I disagree

29. It is better if ECX collects sesame stock from farmers and avail for transaction at its floor.

(This is to reduce the extra charges from the middle men)

I strongly agree disagree Neutral I strongly disagree I disagree

30. Free market concept has affected price control of sesame.

I strongly agree disagree Neutral I strongly disagree I disagree

❖ Please note that all your responses are for research purpose and will not be transferred to third party under any condition