**ACKNOWELEDMENT**

I would like to take this opportunity to thank everyone who contributed to the successful completion of this thesis. First of all, I would like to thank my Advisor Ato Gelana Dereje for his invaluable advice, support and guidance throughout the course of this study. I also would like to thank all those who have contributed in availing data and reflecting their view by filing the questionnaire designed for the study. Lastly, I am very grateful to my wife Wro. Zewditu Teferi whose patience, love, support, and encouragement I couldnot have done without.

i

**CONTENTS**

**Acknowledgment----------------------------------------------------------------i**

**Table of contents------------------------------------------- ii-iv**

**List of Tables and figure------------------------------------v**

**Acronyms--------------------------------------------- -------------vi**

**Abstract------------------------------------------------------------vii**

**CHAPTER ONE**

1.1. Background of the study------------------------------------------------------------1

1.2. Statement of the Problem----------------------------------------------------------4

1.3. Objectives of the research-----------------------------------------------------------5

1.4. Research Methodology--------------------------------------------------------------7

1.5. Significance of the study------------------------------------------------------------9

1.6. Limitation of the study--------------------------------------------------------------9

1.7. Delimitations of the study----------------------------------------------------------10

1.8. Organization of the paper----------------------------------------------------------10

**CHAPTER TWO - LITRATURE REVIEW**

2.1. Introduction---------------------------------------------------------------------------11

2.2. Industrial Location theory----------------------------------------------------------12

2.3. Empirical studies of industrial location------------------------------------------18

2.4. The location decision process-------------------------------------------------------22

ii

2.5. Location factors of food processing plants-------------------------------------23

2.6. Location decision models---------------------------------------------------------27

**CHAPTER THREE – BACKGROUND OF INDUSTRY**

3.1. The Industry Sector and the flour milling sub-sector------------------------29

3.2. Supply of Wheat to Ethiopia--------------------------------------------------------33

**CHAPTER four- PRESENTATION, ANALYSISand interpretation of Data**

4.1. Introduction--------------------------------------------------------------------------37

4.2. Results---------------------------------------------------------------------------------37

4.3. Analysis and Interpretation of results--------------------------------------------44

**CHAPTER FIVE-SUMMARY, CONCLUSION, AND RECOMMENDATIONS**

5.1. Summary-------------------------------------------------------------------------------52

5.2. Conclusion-----------------------------------------------------------------------------53

5.2. Recommendation---------------------------------------------------------------------55

**REFERENCE--------------------------------------------------------------------------------**59

**APPENDIX-1--------------------------------------------------------------------------------** 66

**Appendix -1.1-Descriptive Part-----------------------------------------------**66

**iii**

**APPENDIX-1.2.DESCRIPTIVE PART------------------------------------------------**67

**Appendix-2-Cross Tabulation Part----------------------------------------**71

**APPENDIX-3-KRUSKAL WALLLIS TEST------------------------------------------**780

**Appendix-4----------------------------------------------------------------------------------**81

**Annex-1-QUESTIONNAIRE--------------------------------------------------------- ---**85

**Annex-2-Sample calculation of mean rank-------------------------------**89

iv

**List of Tables and Figures**

**Table 2.1**.Examples of Food Manufacturing Industries---------------25

**Table 3.1**.Spatial Distribution of Mills in Ethiopia--------------------31

**Table3.2** Cereal production of Ethiopia in the period 2007-2010----34

**Table 3.3** Wheat Production by region (Percentage share) in 2009---35

**Table 4.1** Kruskul Walls Test Result---------------------------------------43

**Figure 1.**Approximate distribution of traditional wheat growing areas---36

v

**Acronyms**

**NBE** – National Bank of Ethiopia

**CSA**- Central Statistics Authority

**LMSMI**- Low and Medium Scale Manufacturing Industries

**EFC**- Ethiopian Food Corporation

**MO**I- Ministry of Industry

**EMA**- Ethiopian Millers Association

 **vi**

**ABSTRACT**

The main purpose of the study is to identify the underling factors in location decision of industrial wheat flour milling of Ethiopia and to measure the relative importance of different location factors in three sites selected for the study. Data were collected from 40 firms from three locations and analyzed. The survey findings indicate that flour milling location choices are mainly driven by Proximity to Raw Material source, Proximity to consumer market, and Cost of raw material transportation. It is also found that non- economic factors tend to outweigh economic factors as important location decision variables for this industry.Among the non-economic factors personal factors of management or owners was found to be the most important factor. Labor is rated as the least important factor in the decision of respondents.

**vii**

**ABSTRACT**

The main purpose of the study is to identify the underling factors in location decision ofindustrial wheatflour mills in Ethiopia and to measure the relative importance of different location factors in three sites selected for study. Data were collected from 40 firms from the three locations and analyzed.

The survey findings indicate that flour milling location choices are mainly driven by Proximity to raw material source, proximity to consumer market, and cost of raw material transportation which were rated as first, second and third most important factors in the location decision of respondents. It was also found that non- economic factors tend to outweigh economic factors as important location decision variables for this industry.Among the non-economic factors personal factors of management or owners was found to be the most important factor. Labor is rated as the least important factor in the decision of respondents.

The findings of the study indicate that almost 50 % of the firms did not make any location analysis in their former location decisions. Again about 50 % of the respondents indicated that they would not consider location analysis in their future location decision.Further research work is recommended to investigate the reason behind these views which contradict the theory of location selection