

ASSESSING THE PERFORMANCES OF COFFEE MARKETING COOPERATIVES IN YIRGACHEFFE WOREDA, GEDEO ZONE, SNNPRS, ETHIOPIA

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ABSTRACT: *In the coffee industry, coffee marketing cooperatives are anticipated to play an innermost role in the efforts to develop the sector. Meanwhile, the contributions of these cooperatives in the developing countries are limited to the smallest margin. Besides to that, the performance of coffee cooperatives in these countries is not yet well studied. Therefore, this study is aimed at assessing the performance of coffee marketing cooperatives in Ethiopia with a special focus on Yirgacheffe woreda. To meet the objective of the study, descriptive types of research techniques were utilized. The results of the study revealed that coffee cooperatives in the study area are moderately progressing so far as strengthening their financial positions and serving their members is concerned. However, they are still challenged by different impinging factors.*

KEYWORDS: Cooperatives, Coffee, Performance, Yirgacheffe, Ethiopia

INTRODUCTION

Background of the Study

The cooperative movement brings together over 1 billion people around the world. The United Nations estimated in 1994 that the livelihood of nearly 3 billion people, or half of the world's population, was made secure by cooperative enterprises. These enterprises continue to play significant economic and social roles in their communities (Edward, (nd) available at www.mtti.go.ug).

Today, in an era when many people feel powerless to change their lives, cooperatives represent the strong, vibrant, and viable economic alternatives. Regardless of the type, size, geographical location, or purpose, Coffee Marketing Cooperatives (CMCs) in Ethiopia provides a unique tool for achieving one or more economic goals in an increasingly competitive global economy. These goals include achieving economy of size, improving the bargaining power of smallholder farmers, purchasing in bulk to achieve lower prices, providing products or services otherwise unavailable, facilitating market access or broadening market opportunities, improving product or service quality, opening ways to access credit from financial institutions and increasing income.

Statement of the Problem

Coffee Marketing Cooperatives are playing an important role in supporting coffee farmers by providing the price information, and transporting their coffee produces. However, many members do not know much about their cooperatives, their objectives and the role that they played in the economic development as a third sector of the economy. Cooperatives are an alternative and countervailing power to both private business and public sector undertakings. They can help to overcome some of the barriers to poor people's access to markets by

generating economies of scale; opening up and access to information through better market networks; pooling resources and improving individual bargaining power through collective action. Nevertheless, cooperatives are still facing some serious challenges, which include over-control and regulation by government; limited access to credit; limited capacity to scale up their activities and competing in the free market economy (<http://www.gsdr.org/docs/open/HD565.pdf>).

In addition, cooperatives on behalf of their farmer-members are strong negotiators than individual farmers in the international market (Kodama, 2007). But some members of cooperatives have an experience of selling their produce to other marketing channels. This might be caused by the dissatisfaction of members with the services rendered by their cooperatives. Coffee cooperatives are effective in providing marketing services while reducing transaction costs that can bear by their members (Bernard et al., 2007). Besides, the actual volume of purchase by coffee cooperatives, however, is limited due to financial constraints.

When one goes through the available literatures, none of them reveals exactly where the performance of CMC in Ethiopia is found. Hence, this research was conducted for assessing the performance of Coffee Marketing Cooperatives in Yirgacheffe woreda, SNNPRS, Ethiopia.

Objective of the Study

The objective of the study is to assess the performance of Coffee Marketing Cooperatives in Yirgacheffe woreda, Ethiopia.

Scope and Limitations of the Study

It would have been ideal to conduct the research throughout all coffee growing areas of Yirgacheffe. Moreover, due to time and funding constraints, the study has been confined to five Coffee Marketing Cooperatives in Yirgacheffe woreda, Gedeo Zone, Southern Ethiopia. These CMCs were selected due to the fact that they have the potential base for growing a large amount of coffee than the rest of cooperatives. Besides, the location convenience of the cooperatives to the researcher has taken in to consideration. Thematically, the scope of the study is also delimited to analyzing the performance of selected CMCs in the study area.

RESEARCH METHODOLOGY

For conducting the study, secondary data were collected from the cooperative's offices and woreda promotion Offices. After collecting the necessary data, by using the appropriate financial ratios and descriptive statistical analysis methods such as percentages, frequencies, means and standard deviations, the data analysis, discussion and interpretation has been conducted. The financial performances of the cooperatives were assessed using current ratios, debt to equity ratios, accounts payable to sales and profitability ratios based on the cooperatives' audited financial statements. In addition, simple descriptive approaches were employed to measure the operational performances of the societies.

As to selection of the study units, among seven coffee cooperative societies (Aramo, Edido, Haru, Koke, Dumerso, Hafursa and Konga), which are found in the study area, only five societies i.e. Konga, Hafursa, Koke, Dumerso and Haru were selected for the purpose of the study by taking into account the time and financial shortages and the wide geographical

disparity of the cooperatives.

Results and Discussions

The performances of coffee cooperatives were assessed using both quantitative and qualitative techniques.

Table 3.1. The Results of Financial Ratios of CMCs.

Name of Cooperatives	CR = $\frac{\text{Current Asset}}{\text{Current Liability}}$		DER = $\frac{\text{Total debt}}{\text{Total shareholders' eq}}$		APSR = $\left[\frac{\text{Accounts Payables}}{\text{Net Sales}} \right] \times 100$		NPM = $\left[\frac{\text{Net Income}}{\text{Net Sales}} \right] \times 100$	
	CR ₂₀₀₉	CR ₂₀₁₀	DER ₂₀₀₉	DER ₂₀₁₀	APSR ₂₀₀₉	APSR ₂₀₁₀	NPM ₂₀₀₉	NPM ₂₀₁₀
Konga	2.86	3.53	1.89	1.87	86%	79%	34%	37%
Hafursa	1.74	2.01	1.96	1.98	91%	87%	28%	25.6%
Koke	1.37	1.19	1.93	1.89	89%	85%	22.7%	23.4%
Dumerso	1.26	1.40	1.97	1.94	98%	98%	18%	21%
Haru	0.83	1.16	1.99	1.95	96%	93%	16.3%	19%
Average	1.61	1.86	1.95	1.93	92%	88.4%	23.8%	25.2%

Source: Yirgacheffe Marketing and Cooperative Office, 2011.

Financial Performance

The financial performances of CMCs were assessed using financial ratio analysis methods which help to evaluate the efficiency of operations, the managerial performance and credit policies, potential investments and the credit worthiness of borrowers. The results of the financial ratios are disclosed as follows (see table 3.1).

Liquidity Ratios

The ability of cooperatives to meet their obligations was measured using Current Ratio. Generally, the larger the current ratio, the better will be the ability of the cooperatives to satisfy their obligations. Is there a magic number that defines good or bad? Not really. However, the satisfactory rate of current ratio that is accepted by most financial institutions as a requirement for granting loan is 2.00. Accordingly, the above table shows that the average current ratios of CMCs were below the minimum requirement (2.00) though there were average progresses from 2009 to 2010 with respective mean ratios of 1.61 to 1.86. Except Konga (in 2009 & 10) and Hafursa (in 2010), the remaining societies were performing below the industry standard. More specifically, to meet Birr 1.00 of their current liabilities; Konga, Hafursa, Koke, Dumerso and Haru cooperatives had Birr 2.86, 1.74, 1.37, 1.26 and 0.83 of current assets in 2009 and Birr 3.53, 2.01, 1.19, 1.40 and 1.16 in 2010, respectively.

Financial Leverage Management Ratio

Using Debt to Equity ratio, the debt that the CMCs are using to finance their assets in relative to the amount of value represented in shareholders' equity was measured. A higher DER generally means that the cooperatives have been aggressive in financing their growth with debt. On average, sample cooperatives had Birr 1.95 and 1.93 of Debt to Birr 1.00 of Equity to meet their obligations in 2009 and 2010 respectively. Relatively, Konga followed by Koke have

taken little debt and thus have low risk. In a nutshell, the results of this ratio revealed that much of the finances of all CMCs came from creditors than their own accounts. However, their year to year improvements have to be appreciated.

Efficiency Ratio

To measure how well the cooperatives are employing their resources, Accounts Payables to Sales Ratios has been used among other efficiency ratios. As it has been shown in the above table, the average result of APSR depicts that 92% (in 2009) and 88.4% (in 2010) of cooperatives' sales is going to be paid for their members who supplied their coffee on credit basis. This implies that at the time of buying coffee, cooperatives have faced a severe shortage of finance.

Most often, members of cooperatives supply their coffee on account basis with a hope to obtain incentives provided by cooperatives. These incentives include: the additional price margin than the actual price of coffee and dividends. Comparatively, the amount of accounts payables of Dumerso against its sales (98% of APSR in both years) was higher than the remaining CMCs. This signifies that it was the least efficient of all cooperatives that are considered in this research. To the opposite, Konga (APSR₂₀₀₉= 86% and APSR₂₀₁₀=79%) and Koke (APSR₂₀₀₉=89% and APSR₂₀₁₀=85%) were the most efficient societies during the study period.

Profitability Ratios

For measuring the profitability of the cooperatives, the simplest and widely used profitability ratio otherwise called Net Profit Margin was utilized. The result of the computation (see table 6.1) exhibits that, on average, cooperatives earn Birr 0.238 and 0.252 net profit on every Birr 1.00 of their Sales in 2009 and 2010 respectively. In generating net profit, Konga and Hafursa took the leading positions with their respective NPM values of 34% and 28% in 2009 and 37% and 25.6% in 2010. Conversely, Haru was the least profitable society (NPM₂₀₀₉ = 16.3% and NPM₂₀₁₀ =19%) during the study periods. Moreover, except Hafursa, all selected coffee marketing cooperative societies have shown improvements in their profitability from 2009 to 2010.

Membership and Capital Growth

Most of the CMCs in Yirgacheffe Woreda were established in 1975 during the Dergue regime as multipurpose cooperatives to accomplish the governmental agendas in one hand and to improve the livelihoods of poor farmers' on the other. In view of the fact that cooperatives were organized and operated in undemocratic manners (political interference and misuse of cooperatives' resources), members were not much interested to join cooperatives. However, after the downfall of the repressive Dergue regime, members had shown an enthusiastic zeal to be part of the cooperatives. What is disclosed in the table below confirms this idea. The percentage change in the number of members from the date of establishment of cooperatives to the reorganization of cooperatives under the Proc. No. 147/98 was much significant. It accounts a 679.5% change on average excluding Dumerso society since the base year data was not properly known. In other words, it is to mean that in between the establishment and reorganization of cooperatives, the number of members of cooperatives has grown by 28.31% per annum.

In general, the number of members who joined the cooperatives, except Hafursa, has increased in an increasing rate. The reason for this can be the sensitization or awareness creation

campaigns and the pricing strategy adopted by the cooperatives were among others. During the study periods, the cooperatives has had set a moderately high prices of sun-dry cherry coffee than the private traders around them. To the minimum, a 0.5/1 Birr per kilogram difference has been recognized. Moreover, other benefits provided by cooperatives such as dividends and infrastructural developments which otherwise not offered by other traders were additional reasons for the increase in the number of members in these cooperatives.

During the last twenty four years of business operations, cooperatives have showed a substantial increase in capital formation. As the following table indicates that the percentage change in the capital formation of cooperatives in between their organization and re-organization period was: Konga (868.07%), Hafursa (2677.58%), Koke (644.06%), and Haru (38971.07%). Relatively, Haru has shown a substantial achievement. From 1998/99 to 2011 the same trend (increasing in an increasing rate) was repeated among cooperatives as far as their pattern of capital formation was concerned. The percentage change from 1998/99 to 2011 was recognized that Konga (2958.93%), Hafursa (1513.64%), and Koke (4346.69%). Nevertheless, due to the problem of availability of data, the Dumerso's and Haru's capital position has not been analyzed.

Table 3.2. Membership and Capital Composition of Cooperatives.

S. No	Name of CMCs	Particulars	Number of Members				Capital	
			Male	Female	Total	% change	Amount	% change
1	Konga	Establishment (1975)	202	5	207	0	120,200.20	0
		Re- Organization (1998)	2,015	160	2,175	467.63	1,163,625.00	868.07
		Current Status (14/07/10)	2,166	174	2,340	79.71	4,720,262.58	2958.93
2	Hafursa	Establishment (1975)	266	12	278	0	75,318.71	0
		Re- Organization (1998)	1003	76	1079	288.13	2,092,034.72	2677.58
		Current Status (24/11/11)	773	108	881	-71.22	3,232,093.02	1513.64
3	Koke	Establishment (1975)	172	2	174	0	58,980.00	0
		Re- Organization (1999)	1000	43	1043	499.43	438,846.87	644.06
		Current Status (24/11/11)	966	97	1093	28.74	3,002,527	4346.69
4	Dumerso	Establishment (1975)	NA	NA	NA		NA	
		Re- Organization (2003)	127	9	136		NA	
		Current Status (24/11/11)	301	16	317		30,318	
5	Haru	Establishment	50	0	50	0	79,500	0
		Re- Organization	740	42	782	1464	3,106,1499.47	38971.07
		Current Status	762	63	825	86	NA	NA

Source: Coffee Cooperatives Coordination Office, 2011.

Share Capital and Registration Fees of Cooperatives

Interviewees and secondary data of the societies demonstrate that until now all societies did not issued additional shares than the initial one. Besides, it was remarked that there was a problem of mobilizing members to pay the initial share value of their cooperatives properly. If the cooperatives follow the right procedure postulated in the by-laws, the already issued shares at the time of establishment would not be sufficient for the last thirty five years (1975 to 2011). This implies that there is a problem of handling the cooperatives' shares. Except Konga, the price of shares of other cooperatives was similar during their establishment (Birr 10/share) and at present (Birr 100/share). However, Konga sold each share for br 12 and br 107 during establishment and the present time respectively as it was financially better society. The price of share was determined randomly not by applying the appropriate formula of computing the share value. In every cooperative society, the maximum and minimum numbers of shares to be purchased by an individual member were 10 and 1 respectively. In this case, the societies wrongly interpreted the by-laws statement that says maximum shareholding capacity by each member is limited to 10% of paid up share. They interpreted 10% as 10 shares. The registration fees that are expected to be paid by an individual member were less than 10 Birr.

Table 3.3. Share Capital and Registration Fees of the Cooperatives.

Name of CCSS	Amount of authorized shares	Sold	Unsold	Price of one share		Number of shares to be purchased by a member		Registration Fees	
				At time of establish.	Current Status	Max	Min	At the time of establish.	Current Status
Konga	15,000	11,040	3,960	12	107	10	1	2	6
Hafursa	2,000	1,068	932	10	100	10	1	2	5
Koke	4,000	3,096	904	10	100	10	1	2	6
Dumers	N/A	N/A	N/A	10	100	10	1	2	10
Haru	6,000	1,081	4,919	10	100	10	1	1	2

Source: Yirgacheffe Marketing and Cooperative Office, 2011.

Borrowings

Cooperatives in the study area had faced a problem of shortage of finance since their foundations were weak and formed by the poor peoples. Therefore, at the time of conducting their business, they had faced a problem of money whether to run their operations or to pay their employees. In the end, their only option could be to go to the lending financial institutions and its partnering organizations like Banks, Cooperative Unions, and Microfinance Institutions even though these institutions did not release the required amount in time. This was mainly due to three important reasons; (1) lack of collaterals, which is supposed to be provided by cooperatives, (2) incapability to pay the previous liabilities and (3) most of the cooperatives in that woreda were not audited by external auditors. The reports of the societies show that only one-fourth of the required amount was delivered by the aforementioned financing institutions.

Mainly, the objectives of borrowings were either to purchase fresh cherry (coffee) or to develop new projects which would help CMCs to expand their services.

Particularly, the cooperatives had owed finance from Commercial Bank of Ethiopia, Development Bank of Ethiopia, Yirgacheffe Coffee Farmers Cooperative Union (YCFCU), Leta Micro Finance, and the Rural Finance. In addition, Abyssinia, Awash, and Dashen banks have cooperated in transacting the fair trade premiums. As clearly indicated in the following table, huge amount of money has been transacted between lenders (financial intermediaries) and cooperatives.

Table 3.4. Borrowings of Cooperatives.

Year	Name of Cooperative Society											
	Konga		Hafursa		Koke		Dumerso		Haru			Rural Finance
	Creditors/Amount	Creditors/Amount	Creditors/Amount	Creditors/Amount	Creditors/Amount	Creditors/Amount	Creditors/Amount	Creditors/Amount	Creditors/Amount	Creditors/Amount		
CBE	YCFCU	DBE	YCFCU	CBE	YCFCU	CBE	YCFCU	Leta Micro Finance	CBE	YCFCU		
2005	2,416,330	NA	NA	NA	1,400,000	150,000	840,000	100,000	-	597,200	100,000	-
2006	NA	NA	NA	NA	-	1,241,600	1,054,500	1,054,500	-	-	625,000	-
2007	NA	NA	NA	NA	-	754,865.80	981,920	981,920	-	-	675,000	-
2008	NA	NA	3,000,000	NA	2,605,367	38,022	618,000	618,000	-	-	529,000	500,000
2009	2,482,320	-	3,000,000	NA	1,991,592	259,750	-	-	-	-	505,091	-
2010	3,215,837	1,951,497.10	3,000,000	NA	2,630,000	2,630,000	1,876,526.02	1,820,526.02	56,000	-	-	-
2011	3,704,288	2,900,000	3,985,000	1,817,229.75	3,288,845	969,919.78	1,738,000	1,738,000	-	-	2,194,872.95	-

Source: Coffee Cooperatives Coordination Office, 2011.

Plan Versus Achievement of Coffee Collection and Income Generation of Cooperatives

The coffee cultivation practices of Yirgacheffe farmers are dominantly traditional. Coffee trees are managed by hand and fertilized with organic matter. Despite the long history of coffee production in the area, growers follow traditional cultivation practices rather than utilizing chemical fertilizers, pesticides and herbicides. In the present days, in Yirgacheffe woreda, except Dumerso and Aramo coffee cooperatives, the remaining five societies are organic certified coffee cooperatives which involves in marketing both washed and sundry coffees to the Ethiopian, Japanese and American markets. Among the seven CMCs, only two cooperative societies (Hafursa and Konga) are beneficiaries of FLO/Fair trade. Meanwhile, the others are registered but not benefited from it.

YCFCU has obtained special privilege from the Ethiopian coffee and Tea Authority to bypass the central coffee auction and export directly to the customers abroad. As primary societies provide fair price and dividend to the farmers, the unions also do the same for their subsidiary cooperatives. In the first place, if the primary societies offer their coffee to the union until December 30 of every Ethiopian year, 25% additional payment of the market price will be paid by the union as YCFCU exports the coffee to the foreign markets. In addition, if the union becomes profitable, it is expected to pay 70% of the profit as dividends. But if it faces losses, primaries will not be liable to share the loss. Secondly, if the primary cooperatives supplied in between January 1-30, only an additional 10 % of the actual price will be paid for them. Lastly, if their delivery is after January 30, the union will take the coffee by the market price.

In Ethiopia in general and in Yirgacheffe in particular, coffee grading and quality control occur at the local (producer), regional and central levels. This integrated approach help to grade the coffee before auction and export to the abroad markets. That is important for all those involved

in the production, collection, export, and consumption chains. Coffee grading and quality control is not only encourage good quality coffee production but also create lasting business relationships with overseas buyers. Before exporting, coffee is brought to the quality control center in order to: verify the original character of the coffee, and check if the green and cup qualities have met the export standard. In these days, ECX provides coffee grade for cooperatives' coffee. The grade that was given throughout the last seven years found to be in the intervals of 2-4 for Konga, Hafursa, Koke and Dumerso, whereas, it was 2-3 grades for Haru cooperative society. ECX also provides coffee quality inspection test result certificate. Moreover, it was mentioned that the increments of the prices of coffee and dividend payments were the major motivating factors to supply more coffee for cooperative societies. On the other hand, limited capacity of the coffee processing site becomes a serious challenge for cooperatives.

The percentage achievement of CCSs in terms of coffee collection and income generation varies from society to society and year to year (Table 3.5). In general, the income and coffee collection achievement levels of the societies were found in between Dumerso (13.69% coffee collection and 19.12% income generation) and Haru (103.86% coffee collection and 100% income generation), societies.

Table 3.5. Plans versus Achievements of Cooperatives in Collecting Coffee and Generating Income.

S. No	Name of the Society	Descriptions	Years							
			2005	2006	2007	2008	2009	2010	2011	
1	Konga	Coffee collection	Plan	NA	NA	NA	NA	1,395,582	1,395,582	1,395,582
			Achievement	826,232	NA	NA	NA	448,269.99	802,884.14	976829.56
		Income generation	% Achieved	NA	NA	NA	NA	32.12	57.53	69.99
			Plan	NA	NA	NA	NA	NA	13,331,845.75	13,628,618.69
			Achievement	2,345,322.63	NA	NA	NA	2,689,619.94	5,620,188.94	8,791,466.06
			% Achieved	NA	NA	NA	NA	NA	42.16	64.51
2	Hafursa	Coffee collection	Plan	NA	NA	NA	NA	NA	1,000,000	800,000
			Achievement	617,917.5	714,463	492,285	527,480.5	498,982.5	631,522	458,981
		Income generation	% Achieved	NA	NA	NA	NA	NA	63.15	57.37
			Plan	NA	NA	NA	NA	NA	7,150,000	7,868,207.16
			Achievement	1,875,564.71	2,698,565.75	2,474,199.89	3,165,768.69	2,918,788.84	3,404,523.59	6,506,279.69
			% Achieved	NA	NA	NA	NA	NA	47.62	82.69
3	Koke	Coffee collection	Plan	900,000	1,000,000	505,337	738,481	650,000	650,000	750,000
			Achievement	522,215	340,333	215,228	459,287	295,130	545,315	372,167
		Income generation	% Achieved	58.02	34.03	42.59	62.19	45.41	83.90	49.62
			Plan	2,117,642.20	3,741,454	2,208,191.50	3,689,567.50	4,761,184	4,752,214.80	6,144,456
			Achievement	1,672,941.75	1,367,619.9	967,637.32	2,989,910.25	3,658,244.04	3,509,441.60	4,562,559.88
			% Achieved	79	36.55	43.82	81.04	76.83	73.85	74.26
4	Dumerso	Coffee collection	Plan	NA	NA	NA	600,000	500,000	500,000	700,000
			Achievement	64,716	60,934	49,697	82,134.04	-	184,416	197,656.38
		Income generation	% Achieved	NA	NA	NA	13.69	NA	36.88	28.24
			Plan	NA	NA	NA	3,437,552.60	2,853,352.92	3,237,506.75	5,939,825.24
			Achievement	1,006,343.81	1,145,906.43	1,101,351.71	657,072.31	-	2,028,576.04	2,371,876.54
			% Achieved	NA	NA	NA	19.12	NA	62.66	39.93
5	Haru	Coffee collection	Plan	220,151	261,348	304,705	500,000	700,000	-	700,000
			Achievement	228,648	269,480	315,191	172,240	185,538	-	227,879
		Income generation	% Achieved	103.86	103.11	103.44	34.45	26.51	NA	32.55
			Plan	779,533	1,148,051	1,378,531	2,655,000	2,800,000	-	6,505,904.75
			Achievement	734978.75	1,024,669.25	1,378,561.52	1,340,721	1,289,443.01	-	3,501,625.88
			% Achieved	94.28	89.25	100	50.5	46.05	-	53.82

Source: Coffee Cooperatives Coordination Office, 2011.

Patronage Dividend

Despite the better prices, fair-trade premiums and additional payments (at the time of on account purchase of coffee), cooperative members preferred to sell their coffee to cooperatives due to patronage dividends provided by cooperatives. Even though dividends varied from year to year, farmers often get 0.1–0.75 birr/kg if he/she sells from April to September. Cooperatives are unique business organizations that distributed dividend for their members based on participation or the amount of coffee produce supplied by individual members. Nonetheless, a maximum limit of the coffee produce considered for dividend was 4000kg per individual. This has been revealed in table 3.6. For example, in 2005, only 757,746 kg out of the total 826,232 kg was considered for dividend. The Dividend per kilogram varies in between 5cents/kg (Dumerso) to 75 cents/kg (Koke). As Konga was the strong cooperative society, it took the lions' share in dividend payments (448,083.10). Dumerso and Haru cooperatives did not distributed patronage dividend since a long time. It was partly because of the loss that these cooperatives had faced. Furthermore, the embezzlements that have been repeatedly done by the union managers were one of the basic reasons for the financial shock of these cooperatives.

Table 3.6. Dividends Allocated By Cooperatives.

Year	Cooperatives/ Dividend														
	Konga		Hafursa		Koke		Dumerso		Haru						
	Total amount of coffee considered for dividend(kg)	Dividend /Kg	Total amount of coffee considered for dividend(kg)	Dividend /Kg	Total amount of coffee considered for dividend(kg)	Dividend /Kg	Total amount of coffee considered for dividend(kg)	Dividend /Kg	Total amount of coffee considered for dividend(kg)	Dividend /Kg	Total amount of coffee considered for dividend(kg)	Dividend /Kg	Total amount of coffee considered for dividend(kg)	Dividend /Kg	
2005	757,746	0.30	227,263.80	1,111,785	0.10	111,178.50	NA	NA	71,538.05	227,332.50	0.05	11,366.50	8,677	0.10	867.7
2006	NA	NA	NA	870,390.2	0.10	87,039.02	-	-	-	-	-	-	-	-	-
2007	NA	NA	127,036.07	221,889.50	0.10	22,188.95	NA	NA	240,776.31	-	-	-	-	-	-
2008	NA	NA	NA	188,731.5	0.20	37,746.30	-	-	-	-	-	-	-	-	-
2009	NA	NA	231,242.15	353,977	0.25	88,494.25	-	-	-	-	-	-	-	-	-
2010	NA	NA	361,767.80	234,366.75	0.5	117,183.375	NA	NA	69,489.65	-	-	-	-	-	-
2011	NA	NA	448,083.10	-	-	-	169,521.5	0.75	226,029.10	-	-	-	-	-	-

Source: Coffee Cooperatives Coordination Office, 2011.

The Fair-trade Premium Paid to Cooperatives

In Ethiopia, the fair trade premium paid to the farmer-members of cooperatives was at least \$1.26/pound (a living wage). Additionally, access to credit at fair prices to poor farmers who are the members of cooperatives is another contribution of fair trade in the woreda. These fair-trade payments are invested in food, shelter, health care, education, environmental stewardship, and economic aspects. Fair trade promotes socially and environmentally sustainable projects and win-win relationships between producers, traders and consumers. The value of the fair trade premium varies according to the international coffee price levels. When the international coffee price is above the guaranteed minimum price, it will follow the international price, and always it stays above 5 US cents.

Among the five sample cooperatives, only Hafursa and Konga had the leverage to enjoy the fair-trade premium. The rest were registered before few years ago but still the certification and

the payment is in process. After their certifications, cooperatives will get benefits of marketing opportunity, fair-trade premiums, and a 60% pre-payment from coffee receivers. The money collected from fair-trade depends on the amount of coffee exported to foreign markets. The purpose of the premium was for infrastructural developments not for other societal projects. A separate account will be opened by a premium committee having a member of three to handle activities relating with fair-trade. The societies have to transparently administer the cash collected from the fair trade premium. To run the projects by using the money from fair-trade account, it should be at the knowledge of the general assembly and should have an approval from the supreme organ simultaneously. There are some problems related with fair-trade. These includes, non-certified cooperatives sold their coffee as they are certified, the premium is not allocated for the desired projects approved by the general assembly, the problem of management of the premium, and the criteria set for the fair-trade is not known by all the members.

Table 3.7. Fair-trade premium.

Year	Cooperatives/fair-trade premium				
	Konga	Hafursa	Koke	Dumerso	Haru
2005	76,000	NA			
2006	216,000	NA			
2007	-	NA			
2008	223,089.37	NA	Not still paid	Not still paid	Not still paid
2009	81,312.12	NA			
2010	Not still received	284,555.89			
2011	Not still received	328,467.54			

Source: Coffee Cooperatives Coordination Office, 2011.

The Role of Cooperatives in Employment Creation

Different researches and reports on the field shows that Ethiopian cooperatives have created a sizeable number of salaried jobs for both members and non-members; yet, their biggest employment creation potential lies in the areas of direct and self-employments. Coffee cooperatives in Yirgacheffe woreda are relatively better than other enterprises so far as job creation is concerned. The research boldly signifies that how much they are labor intensive, cost-effective and creates an opportunity to have economies of scale. Moreover, these cooperatives offer their members with decent and permanent jobs through stabilizing existing self-employment in the rural areas; mobilize savings among the poorest and assisting them to accumulate capital for productive investments.

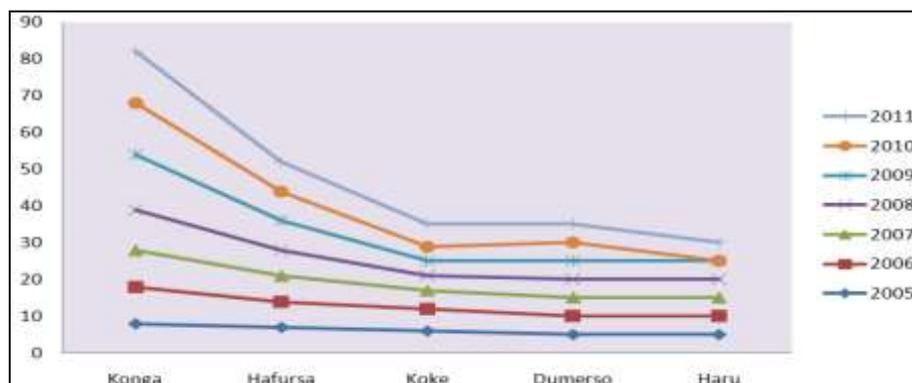


Figure 3.1. Permanent Jobs created by selected CMCs (2005-2011).

Source: CCCOs, 2011.

Sample coffee marketing cooperatives have created both wage, induced and self-employment opportunities. The wage employments created by CMCs can be classified in to two major categories i.e. permanent and temporary employment opportunities. The figure below exhibits that Konga employs the maximum number of employees permanently (8-15 permanent employees) by paying a maximum amount of salary that varies between Birr 50,460 to 133,200 annually. Dumerso (92,400 to 111,500 for 5 permanent employees annually) was the second in creating permanent employments. Conversely, Koke was the least in creating permanent wage employment opportunities (only for 4-6 persons). But in general, cooperatives have employed 5-8 peoples and paid an annual salary of br 24,600 to 58,480.

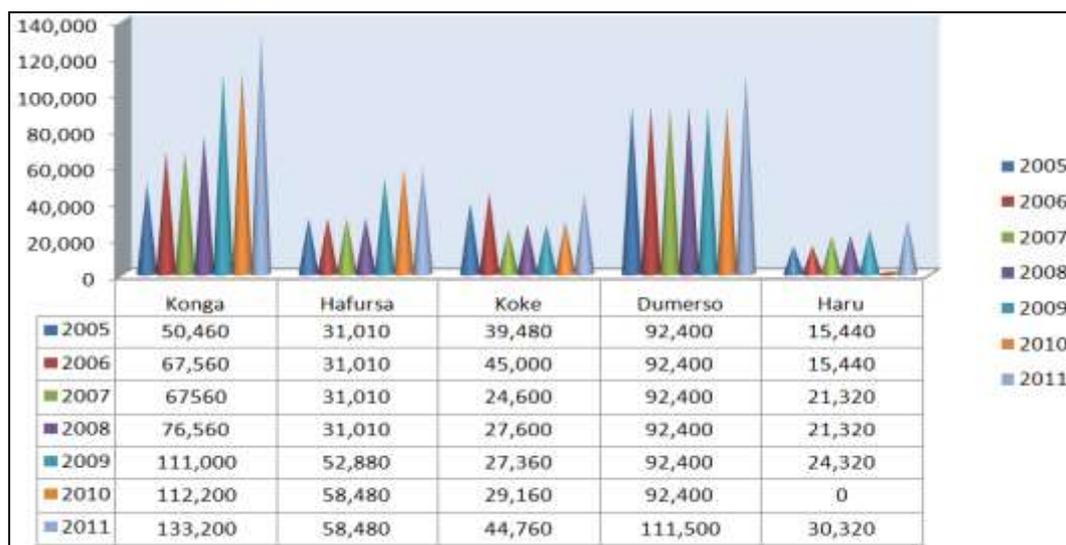


Figure 3.2. The Wage Payments for Permanent Employees of Sample CMCs.
Source: CCSsCOs, 2011.

On the other hand, cooperatives have also created job opportunities for temporary employees. In the year 2011, 31(Dumerso and Konga) to 58 (Haru) daily laborers per day for three to five months were employed by CMCs. The wage payment varies in between Birr 37,238.75 (Dumerso) to 259,120 (Konga). On average, in 2011 alone, sample cooperative societies employed 42 and 8 individuals temporarily and permanently respectively (see figure 3.1 and 3.3).

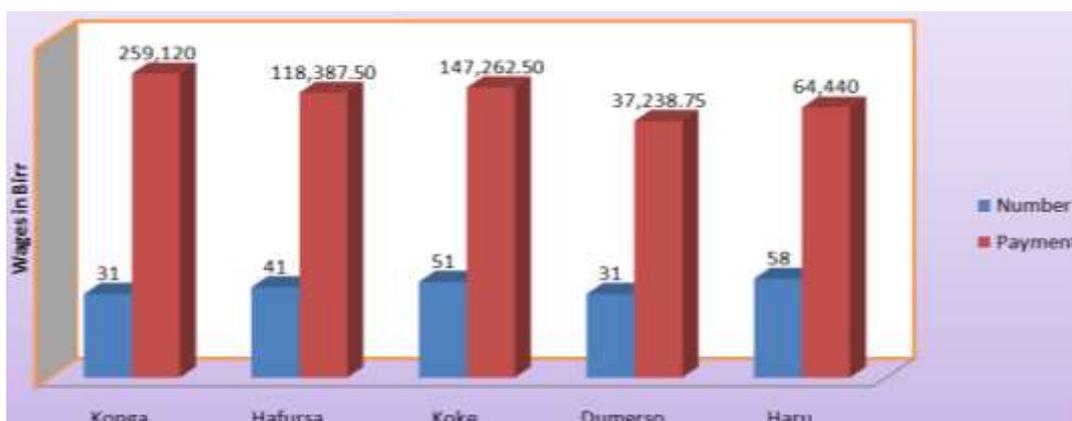


Figure 3.3. Temporary jobs and wage payment of sample CMCs in 2011.

Source: CCCOs, 2011.

The other employment outlets of CMCs in the study area were the induced employment opportunities for those who were employed by the local government as well as the co-owned projects designed by the Ethiopian government and Non-governmental Organizations for the purpose of promoting and supporting cooperatives in the research area. In so doing, 32 cooperative professionals were employed by the cooperative promotion bureau of that particular woreda.

The last but not least job opportunities extended by the cooperatives were the self-employments created for their own patron-members. During the pre- and post production services, coffee marketing cooperatives had created jobs for their members. In this regard, the sample CMCs had employed 5,456 farmer members only in the year 2011 (see table 3.2). In general, this indicates that cooperatives are playing a most decisive role in creating wage, induced and self employments as the third development partners of the government of Ethiopia.

CONCLUSION AND RECOMMENDATION

Conclusion

The contributions of coffee marketing cooperatives in Ethiopia are immense. They strive for improving the livelihood of their members while they are challenged by a number of factors. They absorb the large segment of the population whereby members and non-members earn income which enables them to accommodate the needs of their family to the maximum extent possible.

Despite the fact that CMCs in Yirgacheffee woreda have shown improvements from time to time, they are not still financially strong enough. To be more specific, much of the finances of all CMCs come from creditors than their own accounts and the average current ratios of societies were below the minimum requirement. As far as membership and capital composition of cooperatives is concerned, since 1998 (re-organization year), cooperatives in the woreda had shown a notable increments in mobilizing capital and attracting members.

Finally, the CMCs; in distributing dividends, integrating smallholder farmers in to a better market and the deployment of fair-trade premiums had recognized to be progressive and moderately successful as well.

Recommendation

On the basis of the above findings, the following recommendations are provided. Finance has been mentioned as the main stumbling block of cooperatives. Hence, cooperatives should find solutions that can get out them from their current financial predicaments. To do the same, the financial institutions which are the main stays of cooperatives source of finance should be cooperative enough in delivering credits at the right time and place. Moreover, the cooperative societies themselves should device ways which would have taken them away from the financial dependence on the lending institutions. In the long run, establishing cooperative banks could be one of the pertinent solutions for this problem. The role of the promotion office in facilitating access to credit, manpower training and conducting researches should not also be undermined.

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