An Assessment of Factors Influencing the Market Performance of Coffee Farmers' Cooperatives in Melka Balo Woreda: The Case of Kurtu Cooperatives Society, Ethiopia

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***Abstract*:-Productivity of smallholder agriculture lingers at subsistence level, primarily due to the unreliable supply and unaffordable prices of farm inputs, and poor rural marketing infrastructure. Cooperatives are indispensable institutions for addressing such a structural problem. In Ethiopia, inefficiencies in the coffee markets primarily hurts the income of coffee farmers and discourages their production and marketing of coffee, and secondly it also significantly decreases the country's foreign exchange that should have been obtained from coffee production and trading. This suggests that it is very crucial to study and monitor the performance of coffee markets in all coffee producing areas of the country and improve their efficiency. The study was initiated with the objectives of investigate major marketing problems of coffee cooperatives of farmers, to assess the major constrains that exist in the channel members and to recommend the better placement of coffee product as well as the positioning of Kurtu Cooperative Society. The research design is descriptive in nature and the data for this study were collected both from primary and secondary sources. Primary data was collected using two types of questionnaire, one for the coffee producers (farmers) who are members of the cooperatives and the other for wholesalers and retailers. According to the results of the study, sample cooperatives were characterized by lack of marketing facilities, shortage of land, poor road infrastructural problems ,prevalence of diseases that influence farmer's market performancesand alsotraders business were lack of road, lack of transportation, and also the constraints indicated by wholesalers and retailers with respect to coffee marketing include delay in unloading coffee at ECX which creates additional cost and the most important marketing problems reported by the traders include too much competition with unlicensed traders and the overall storage of coffee supply.**

Keywords: **Agriculture marketing, Coffee cooperatives, Kurtu Cooperative Society, market performance**

I. INTRODUCTION

Agriculture remains the backbone of the economy of most developing countries. Typically, it is the largest source of employment; often two-thirds or more of the population are dependent for its livelihood on farming. The labor-intensive character of the sector reduces its contribution to the gross domestic product, but its contribution nevertheless ranges between 20 and 60 percent in most developing countries. Agricultural exports are the principal sources of foreign exchange earnings *(Warren C. and Strokes M., 1985).*

Ethiopia is often referred to as the birthplace of coffee which has remained the main export of the country; however, other agricultural products are currently being introduced on the international market. Despite secular decline in the international coffee price, coffee still remains the country's dominant export commodity. According to Villanger (2006), the major export products from Ethiopia in 2004/05 were coffee (41%), oil seeds (13%), Khat (12%), leather and leather products (8%), Gold (6%) and pulses developed countries with about 85% of her population living in the rural areas.

According to the coffee map, the country's 55% of coffee coverage is classified as forest and semi-forest coffee, 40% as garden coffee, and 5% as plantation coffee *(Abera, 2005).*Ethiopian coffee production shows an increasing trend, where the average shares of Ethiopian coffee in the world market was 4.4% during the period 1982-2001*(Dejene and Tefere, 2002).* Similarly, the volume of coffee export had increased from 69,999 metric ton (MT) in 1985/86, to 161,100 MT in 2004/05 *(NBE, 2004).*

Productivity of smallholder agriculture lingers at subsistence level, primarily due to the unreliable supply and unaffordable prices of farm inputs, and poor rural marketing infrastructure. Consequently, rural income remains low and poverty looms

large. Cooperatives are indispensable institutions for addressing such a structural problem *(Tesfaye, 2004).*In this regard, Kaddar (1975) cited in Barker (1989) claims that only a few farmers understand the necessity of producing to meet the market and of finding a market for their produce. His solution to this dilemma is to encourage the growth of cooperatives to undertake the marketing responsibilities.

Intervention to reduce uncertainty and other marketing problems and to bring the peasant households into profit maximizing category may be realized through establishment of rural institutions, such as cooperatives. The concept of human cooperation is not new. Cooperative is a worldwide movement. It prevails both in developed and developing nations, and in all branches of economic activity (Krisiinaswami and Kulandaiswamy, 2000). Cooperatives are viewed as change agents. The change supposed to be brought about by the cooperatives is not simple. Improved performance of agricultural cooperatives is assumed to have a role in fostering

In Ethiopia, cooperatives had failed in the past because of some predictable and controllable factors. The Derg regime established cooperatives in a hurry without sufficient preparation and feasibility study. The regime violated the very basic principle of cooperation (open and voluntary membership). Farmers were forced both directly and indirectly to join cooperatives without their interest. In addition, the regime had intervened in their internal affairs and used them for its own political ends (Tesfaye, 1995).

Currently the development of primary cooperatives in the country is showing a promising progress. In 2004/5, there were 14,423 primary cooperatives across the country operating in different sectors of the economy. They had 4,983,752 members and 474,009,157 birr capitals (FCC, 2005a). Their number almost doubled in 2002/3. There were 7,740 primary cooperatives in 2002/3 and out of these 4,183 were agricultural cooperatives (FCC, 2004a).

In Ethiopia Such inefficiencies in the coffee markets primarily hurts the income of coffee farmers and discourages their production and marketing of coffee, and secondly it also significantly decreases the country's foreign exchange (which is an important asset the country badly needs) that should have been obtained from coffee production and trading. This suggests that it is very crucial to study and monitor the performance of coffee markets in all coffee producing areas of the country and improve their efficiency.

It has a greater importance, to check from time to time, whether these farmers' cooperatives are performing well. This contributes to the understanding of factors hindering improvement and modernization of the coffeefarmers cooperatives. This would enable the cooperatives to check whether they are on the right truck so that it is important toinvestigate major marketing problems to be taken to correct any undesirable course of development. To create good performing output of coffee production, it is essential to assess the factors influencing market performance of the coffeefarmers cooperatives already existing ones and draw practical lesson on the critical operational problems and constraints.

The researcher has therefore decided to conduct research in this constituency which has only one coffee cooperative due to time limit. In this study, researcher wishes to establish the assessing factorsthat influencing market performance of coffee farmer's cooperatives in MelkaBalo woreda: A case of kurtu cooperative society.

II. RESEARCH OBJECTIVES

- To assess the different factors influencing the market performance of coffee cooperatives in Kurtu society, Melka balo.
- To investigate major market problems of coffee cooperatives of farmers with reference to kurtu Cooperative Society.
- To recommend the better placement of coffee products as well as the positioning of Kurtu Cooperative Society.

III. LITERATURE REVIEW

- *Cooperative and its principle*

There is no universally accepted definition of a cooperative. In general, a cooperative is a business owned and democratically controlled by the people who use its services and whose benefits are derived and distributed equitably on the basis of use. The user-owners are called members. They benefit in two ways from the cooperative, in proportion to the use they make ofit. First, the more they use the cooperative, the more service they receive. Second, earnings are allocated to members based on the amount of business they do with the cooperative (Fredrick, 1997).

- *Agricultural cooperatives*

Being in the framework of the general cooperative concept, an agricultural cooperative represents an attempt by farmers, each of who has a different set of resources and perhaps goals, to integrate vertically into the food and fiber system. The cooperative involvesfarmers, qua farmers, however; an elected board of directors, hired management, organized labor, government officials, bankers, and others may be involved in decision by cooperatives (Staath, 1965).

In agricultural marketing cooperative, farmers join together to market part, or all, of the produce of their holdings. The theoretical basis for such cooperation is related to three major factors.

1. Bargaining power: increasing farmers' bargaining strength, which is weak and disorganized in relation to buyers.
2. Marketing economies: reducing the cost of marketing by improving the efficiency of existing services, or achieving scale economies in certain operations.

3. Market investment: providing an additional investment opportunity in marketing of a commodity or commodities covered by the cooperative is considered as an additional enterprise to those already carried out by the farmer (Barker, 1989).

- *History of Cooperative Development in Ethiopia*

Cooperatives are recent phenomena in Ethiopia with a history of half a century. In France, cooperatives history dates back to 1750. Cooperatives in Ethiopia remained to be passive in changing the livelihood of most Ethiopians (Yuko, 2007). According to Couture (2002), the first cooperative organizations were established in Ethiopia in 1957. In a country like Ethiopia, where the livelihood of the majority of the population depends on subsistence agriculture and credit facility is not easily accessible for ordinary people, financial institutions like saving and credit cooperatives are of paramount importance for providing such services. Saving and credit cooperatives are, therefore, the shortest possible means of accumulating saving and extending loan to the low income groups where established commercial banks are limited in number and far away from the reach of the society.

As to the genesis of cooperatives, only few cooperatives were organized during the emperor regime. The major objective of organizing the cooperatives then was to produce industrial crops such as tea and spices. The co-operatives were organized in areas where these industrial crops are grown. Concerning the membership, the shareholders were those who produce these cash crops and in almost all were landlords. Small holders and consumers were not given due attention (Yuko, 2007).

Currently, the Ethiopian government gives due emphasis for the development of cooperative and has enacted Cooperatives Proclamation. The required human resource has been assigned at all levels, from the district to federal. There is even a plan to assign cooperative extension workers at kebele level (Yuko, 2007).

In general, there are problems arising from the incomplete liberalization of the coffee sector. Though the government liberalized the coffee sector, coffee cooperatives were not in a position to fully run under the liberalized market since they lack skilled man power. The private sector was still re-establishing itself and building experience and capacity with regards to coffee cooperatives, they were faced with the reputation and lack of trust that came from their political affiliation during the Derg regime. They were not seen as businesses providing services. Coffee cooperatives with washing stations were inefficient, with some even running at a loss, the washed coffee was often of poor quality.The processing problems primarily emanating from poor technical and management operations. In many cases, cooperative members sell coffee cherries at a nearby private coffee washing stations. The cooperatives sell to traders and in a few cases directly through the central coffee auction market for a price which is below the export premium prices (ACDI/VOCA, 2006).

- *Coffee Production and Marketing in Ethiopia*

In Eastern Ethiopia, coffee trees are grown at elevations between 1524 to1829.by small-scale farmers on fragmented and small plots. Coffee types that are grown in this area are called Long-berry Hararghe (large bean), Short-berry Hararghe (smaller bean) or Mocha Hararghe (pea-berry or single bean).

Hararghe coffee is characterized by winy and blueberry undertones, with good body and acidity. Khat and coffee are the two most important cash crops grown in Hararghe. According to CSA, (2011) report, in East and West Hararghe Zones of Ethiopia, a total of 286212 farm households have been engaged in coffee production. From 23558 hectares of land allocated to coffee, about 135197 quintals of coffee have been produced. The average productivity of coffee in Hararghe area (which is 6.28 qt/ha) is lower compared to the regional average (7.27 qt/ha) and the national average (7.43 qt/ha).

- *Major Problems in Ethiopian Coffee Supply and Marketing*

The major problems of Ethiopian coffee farmers are lack of sufficient price incentives in the international markets. In International coffee roasters such as Starbucks are those who obtain the lion share of the margin in marketing of coffee products without recognition of the rights of the coffee producers. For this reason there is very limited supply response and quality improvement in coffee production among those farmers were unable to get enough returns from their coffee trees. The domestic coffee marketing system is also not fair and efficient which has problems in product assembling, storing, handling, processing, quality inspection and grading, and in having fair and transparent trading system (Ecx,2008).

The inspection, grading and auction sale of coffee is located very from the supply centers at only two central places. Thus, it has been many times criticized for being highly centralized and located far apart from the major producing areas, with little improvements from time to time. The central market is entirely auction based which have several drawbacks. Some of these are warehousing problems, improper sampling and quality inspection, problems associated with brokers and suppliers, poor processing, high transportation cost, inadequate coffee market financing and unfair distribution of marketing margins (Ecx,2008).

- *Factors affecting marketing performance*

There are numerous factors that affect farmers marketing performance and with establishing market linkages. These factors include location and, as well as access to infrastructure, agricultural services, and water and production technologies. The skills, education, and

organization of the farming community are also important aspects in terms of their ambitions, discipline, and ability to plan, set goals, and follow an implementation schedule and Poor governance and inefficiencies in cooperatives result in delays in supplying inputs to farmers, credit processing and payment to farmers for their produce.

High costs of fertilizer and pesticides has, in some cases, forced the farmers to reduce application of these inputs, resulting in delivery of low quality cherries and substantial oss of small cherries during pulping stage in processing. The regulations not only all require smallholders to process their coffee through a cooperative, but prohibit direct purchase from farmers. Farmers also have limited information on the coffee market and existing member associations are structurally weak to act as feedback mechanism to farmers (Shaun Ferris et al, 2014). Key factors are Location, Farm size, Financial assets and linkage to financial service, Ability to manage water resources, Costs of inputs, Price volatility, Access and adoption production technologies, Access to roads and ownership of transport, Use of farm labor, Education, Marketing, Business relations.

IV. RESEARCH METHODOLODY

A researcher used descriptive research design and both quantitative and qualitative methods were chosen. In this study the researcher selects the kurtu coffee cooperative purposely because this cooperative is one of the famous and wide cooperatives in melka balo wereda. In this cooperative there are 171 farmers and the researcher selected the respondents by using simple random sampling techniques. There are also 7 whole sales and considered the entire wholesaler in this study. In addition there are large numbers of retailers fond but the researcher purposely select only 20 retailers who are the loyal customer of the cooperative. Due to this the researcher decided to considered 7 wholesalers and 20 retailers and from the 171 farmers the researcher took the sample of 120 farmers by using Yamane (1967: 886) sample size determination formula. The data for this study were collected both from primary and secondary sources. Primary data were collected using two types of questionnaire, one for the coffee producers (farmers) who are members of the cooperatives and the other for wholesalers and retailers. A checklist was also used to guide the interview conducted at different places with wholesalers and retailers. Primary data collected from farmers mainly focused on, the different problems that influence the market performance of coffee using pre-tested questionnaire and the researcher used interview method of data collection for the selected wholesalers and retailers. The researcher conducted a pilot survey on 25 farmers to check the reliability of questionnaire and got the cronbach's alpha value 0.782 which is greater than the recommended value 70% therefore the questions are valid. The collected data entered and analyzed using SPSS version 20 (Statistical Package for Social Sciences) statistical software and frequencies, percentages, tables and graphs were used in this study.

V. DATA ANALYSIS AND RESULTS

Table : Factors influencing market performance of Kurtu cooperatives society

Factors		Frequency	Percent
The quality improvement practices such as grading are	Poor	3	3.7
	Average	62	75.6
	Good	14	17.1
	Excellent	3	3.7
Access and adoption to production technologies	Poor	7	8.5
	Average	59	72.0
	Good	15	18.3
	Excellent	1	1.2
Access to farm credits	Poor	7	8.5
	Average	45	54.9
	Good	28	34.1
	Excellent	2	2.4
Relationship with traders	Poor	15	18.3
	Average	29	35.4
	Good	34	41.5
	Excellent	4	4.9
Transport and physical distribution facilitated are	extremely poor	1	1.2
	Poor	18	64.6
	Average	53	22.0
	Good	8	9.8
	Excellent	2	2.4
The Cost of input are consider the cooperatives capacity	extremely poor	1	1.2
	Poor	50	61.0
	Average	20	24.4
	Good	10	12.2
	Excellent	1	1.2
Promotion mix practices to market the product are	extremely poor	31	37.8
	Poor	39	47.6
	Average	7	8.5
	Good	4	4.9
	Excellent	1	1.2
Supportive activities in seeds, fertilizers, pesticides and technological acquisition are	extremely poor	1	1.2
	Poor	8	9.8
	Average	34	41.5
	Good	27	32.9
	Excellent	12	14.6
Operational process of	extremely	2	2.4

marketing the product to the customers through channels are	poor		
	Poor	6	7.3
	Average	40	48.8
	Good	27	32.9
	Excellent	7	8.5
Infrastructural and technology facilities such as buildings, storage, furniture, computerization, internet etc, are	extremely poor	24	29.3
	Poor	35	42.7
	Average	13	15.9
	Good	9	11.0
	Excellent	1	1.2
Society employees' responsiveness towards farmers is	Poor	2	2.4
	Average	19	23.2
	Good	39	47.6
	Excellent	22	26.8
Society employees' responsiveness towards customers is	Poor	2	2.4
	Average	20	24.4
	Good	29	35.4
	Excellent	31	37.8
Access to market information	Poor	49	59.8
	Average	25	30.5
	Good	8	9.8

As per the table shown above

- %, 3.7%, 17.1% and 3.7% of the respondents were answered the quality improvement practices such as grading are poor, average, good, and excellent respectively, Indicated 75.6 % respondents were answered the quality improvement practices such as grading are average this implies that there should be more improvement practices in grading's
- 8.5 %, 72.0 %, 18.3 % and 1.2 % of the respondents were answered Access and adoption production technologies are poor, average, good, and excellent respectively, 72.0% of respondents were answer that access and adoption to production technologies are average,implies that without using technologies is directly affects the performance of the farmers. Farmers with access and the ability to buy technologies and who can manage resources have sizeable advantages over farmers who are unable to use such technologies
- 8.5%, 54.9%, 34.1% and 2.4% of the respondents were answered access to farm credit are poor, average, good, and excellent respectively and 54.9% of respondents were answered Access to farm credits are average, Implies that shortage of credit access is influencing their market performance of the cooperatives,
- 18.3%, 35.4%, 41.5% and 4.9% of the respondents were answered the relationship with traders are poor, average, good, and excellent respectively and. Relationship with traders were answer good 41.5% ,implies that building closer relationship between trading partners will increase efficiency This means that they have to increase their performance with traders.
- 1.2%, 64.6%, 22.0%, 9.8% and 2.4 % of the respondents were answered the Transport and physical distribution facilitated are extremely poor, poor, average, good and excellent respectively, 64.6% of respondents were answered the transportation and physical distribution is poor. This shows that the decline of transport and distribution facilities influence their performance of the cooperatives to distribute products
- 1.2%, 61.0%, 24.4%, 12.2% and 1.2% of the respondents were answered the cost of input is extremely poor, poor, average, good and excellent respectively, . 61.0% of respondents are answered that costs of inputs are doesn't consider the cooperatives capacity. High prices, availability, and financing for inputs are major barriers to their use; this shows that directly affects the performance of cooperatives.
- 37.8%, 47.6%, 8.5%, 4.9%, and 1.2% of the respondents were answered the Promotion mix practices to market the product are extremely poor, poor, average, good and excellent. 47.6% of Promotion mix practices are poor which means there is little use of promotion mix to market the product
- 1.2%, 9.8%, 41.5%, 32.9% and 14.6% of the respondents were answered the Supportive activities in seeds, fertilizers, pesticides and technological acquisition are extremely poor, poor, average, good and excellent respectively. 41.5% of respondents were answered average, implies that acquisitions are average which means there is low acquisition of supportive activities.
- 2.4%, 7.3%, 48.8%, 32.9% and 8.5% of respondents were answered the Operational process of marketing the product to the customers through channels are extremely poor, poor, average, good and excellent respectively, 48.8% of majority respondents were answered average, which means they should have to increase their process to increase more performance of the cooperatives
- 29.3%, 42.7%, 15.9%, 11.0% and 1.2% of the respondents were answered the Infrastructural and technology facilities such as buildings, storage, furniture, computerization, internet etc. are extremely poor, poor, average, good and excellent respectively. And 42.7% majority of respondents answered that poor, infrastructural and technology facilities, implies that there is high probabilities to reduce performance of cooperatives.

- 2.4%, 23.2 %, 47.6% and 26.8 % of the respondents were answered the Society employees' responsiveness towards farmers is poor, average, good and excellent respectively, and 59.8%, 30.5% and 9.8 % of the respondents were answered the Access to market information is poor, average, good and excellent respectively.
- 2.4%, 24.4%, 35.4% and 37.8% of the respondents were answered the Society employees' responsiveness towards customers is poor, average, good and excellent respectively, 47.6% Society employees' responsiveness towards farmers is good were answered majorities respondents, implies that, it increase motivation of farmers to work hard and 37.8% majorities of respondents were answered excellent, to Society employees' responsiveness towards customers, this shows that cooperatives have in a good relationship with customers maybe it is easy to increase their performance and 59.8% of majorities were answered that access to information is poor , indicated that extension and mass media services did not respond to farmers' information need with respect to coffee, and this might have implication for low performance of coffee production to cooperatives.

VI. CONCLUSION

The study found that the coffee farmers had inadequate land at their disposal for farming purposes. This was proved by the fact 57.3% the reason (s) for renting in/shared that most they indicated that because of land shortage. In traditional markets, most smallholder farmers are constrained in their ability to supply markets by their farm size, This is to justify that the larger the land size covered by coffee, the higher will be the coffee harvest, hence the higher the likelihood of marketing of coffee through the cooperative by the farmers with larger farm size than farmers with smaller farm size. This indicates that affects their market performances.

The credit system has the significant impact on the coffee market production. Access and utilization to credit may help individual to utilize better life and feed. In addition to this access to credit may help the small holder farmer to meet their agricultural activities. Besides, the credit can help the household to increase their quantity and quality of their coffee production to be used for marketing Access to credit as an important factor for all smallholder producers to increase purchasing power of farmers to procure farm inputs and cover operating costs.

Also in this study the majority of the respondents (the 59.8%) were answered the market information was poor farmers production and marketing participation are based on market price, supply and demand information and poorly integrated market may convey inaccurate and inadequate information on price, demand and supply, leading to inefficient production.

The researcher observed that the major problem of coffee production indicated that by farmers is prevalence of diseases that influence farmer's marketing performancesthe disease also may result in weight loss by affecting the bean size. This has resulted in huge loss of productivity. Diseases growing problem for all agricultural activities and coffee has its fair share. Shifting weather and climatic are bringing new coffee insects and new diseases for coffee products.

From this research the researcher observed that one of the painful problem faced by the farmers producing coffee in kurtu is the poor quality of basic infrastructure of rural roads. Many times this leads to unsold coffee remaining in the farms, consequent loss of their revenue or results in distress sale of their produce to even maintain subsistence level of their living. Rural infrastructural plays a very significant role in accelerating agricultural production and produce marketing. Suggests that the result of poor road is affect or influence the transportation services and makes them to delay the product to the market and may reduce the profitability of the cooperatives.

The most important infrastructural constraints that affected the traders business were lack of road, lack of transportation, and also the constraints indicated by wholesalers and retailers with respect to coffee marketing include delay in unloading coffee at ECX which creates additional cost, include 3 to 4 days without unloading of the coffee on a truck in ECX market in dire dawa to grade the coffee and which creates additional cost to the transportations, and retailers were answered.

And also the process problems of grading systems which is sometimes doesn't meet with the traders expectation with the ECX grading results of the coffee, No consistent, and transparent sampling technique used by the coffee quality inspection center; thus is not trustful by coffee suppliers (Ecx,.2008) incur additional cost of transportation when they reject the coffee and sell it to local consumption and mixing the coffee grade with other difference place coffee product, this implies that it decrease the quality and price of coffee product to channel members.

Poor management and handling of coffee by farmers which reduces its quality and short supply of coffee, low economies of scale for traders makes them to influence their performance

The interviewer mentioned that the reason behind shortage of coffee production was the farmers getting low price from coffee product, and then farmers inclination towards chat production by replacing coffee areas, this shows that there an increasing demand of chat in study area and influence channel members.

From this study the researcher observed that the coffee marketing channel in the study area was relatively short, the existence of unlicensed traders in the rural and urban areas discouraged licensed traders. These illegal traders do not pay taxes and can narrow the gross margin of licensed traders by the amount of the tax they pay. This

made some tax payers not to generate adequate profit after having covered all the necessary cost and observed that legal traders are very influences by the operation of illegal traders.

VII. RECOMMENDATIONS

Based on the findings the researcher is going to recommend the following points:

1. The shortage of land is becoming more and more severe in the face of an ever increasing population in the highland and the land resource tends to fail to support the farming community even under very poor living conditions". To reverse the tendency, it is recommended to improve land and livestock productivity by introduction of feasible innovations and other means and to create off-farm and non-farm employment opportunities for the farmers in order to reduce their dependence on land.
2. The government should have to focus on improving for decentralization of the highly centralized coffee inspection and grading centers together with modern storage and processing facilities.
3. The provision of licensing for integrated activities, the Government should abandon the restriction on the areas of operations being imposed on traders. This is to mean that, allowing coffee wholesalers to purchase coffee directly from producers, and also coffee collectors to perform the activities of wholesalers.
4. Improvement of the marketing infrastructure is another area of intervention to improve the performance of coffee market in the study area. Due attention, the government should be given importance to the improvement of roads and communication networks in different production and trading center.

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