

Addis Ababa University
College of Development Studies
Institute of Regional and Local Development Studies

**The Contributions of Dairy Cooperatives in
Reducing Poverty**

**A Comparative Study of Small Scale Value Adding and
Marketing Dairy Cooperatives in Ethiopia**

By: Abdulkadir Wahab

A Thesis Submitted to the School of Graduate Studies of Addis
Ababa University in Partial Fulfillment for the Requirements of the
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Abbreviations and Acronyms

Coop	Cooperative
Coops	Cooperatives
FCA	Federal Cooperative Agency
FGD	Focus Group Discussion
FGDs	Focus Group Discussions
ICA	International Cooperative Alliance
ILO	International Labor Organization
NGO	Non-Governmental Organization
NGOs	Non-Governmental Organizations
SACCO	Saving and Credit Cooperative
SDDP	Smallholder Dairy Development Project
SPSS	Statistical Package for Social Science
UN	United Nations
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
W/ro	Weyzero
WB	World Bank
WDR	World Development Report

Abstract

The major objective of the research is to examine the role of dairy Cooperatives in reducing poverty in terms of promoting opportunities, facilitating empowerment, and enhancing security in Ethiopia. The comparative analysis of small scale dairy value adding with small scale non-processing or marketing only dairy cooperatives is done for this purpose.

The case of Ada'a Dairy Cooperative as a processing one and the case of Selale Dairy Cooperative Union as milk marketing are selected in the study. In both cooperative sides, simple random sampling was mainly used with survey questionnaire, interview with different bodies in the cooperative activities, and Focus Group Discussion. Moreover, the study is descriptive and exploratory.

As a result of the study, the change in the living conditions of the farmers after their membership, the underutilized potential of the processing unit in Ada'a, the opportunities and readiness of Selale Dairy Union, the management problems of the cooperatives, the after membership poverty level of the farmers, the actors who are supporting the cooperative activities, and the overall socio- economic situations of the farmers are clearly described. Moreover, it is verified that most of the farmers are not benefited from the cooperative activities so far because of different internal reasons though they are in a better condition than before their membership.

In general, in before - after analysis the cooperatives are successful in promoting opportunities for the farmers. There is a change in different indicators such as income, expenditure, price of milk and access to better markets. Unlikely, both are not successful in facilitating empowerment and enhancing security for the farmers.

Key Words: Poverty, Poverty Reduction, and Dairy Cooperatives

Chapter One

Introduction

This chapter deals with introductory and methodology parts of the study. Background of the study, statement of the problem, objectives, scope and limitations of the study, significance, research questions, conceptual framework and the methodology of the study are discussed in this chapter. Moreover, it indicates the overall organization of the report at the end.

1.1 Background of the Study

Ethiopia is one of the developing countries, which is faced with a complex, deep, broad and structural problem of poverty. The proportion of the population below the poverty line is estimated at around 44 percent. Thus, poverty reduction has become the central development agenda in Ethiopia like of other developing countries (Assefa, 2004 cited in Abebe, 2006). Several reforms are undertaken in social, political and economical aspects to reduce poverty in the country. Ethiopia's development policies, strategies and programs adopted since 1992/93 have been concerned with how to bring sustainable and equitable development and then reduce poverty. With the above objectives, Ethiopia has formulated a Sustainable Development and Poverty Reduction Strategy Program (SDPRP) in 2002.

The majority of people in Ethiopia are living in rural areas where poverty is more widespread than in urban areas. About 45 percent of the rural populations are below the nationally defined poverty line, while it is 37 percent for urban population. Poverty is also deeper and severer in rural areas than in urban areas. On average, the income of the rural poor is 12.1 percent far from the poverty line, while it is 10.1 percent for the urban poor (Tassew, 2004 cited in Abebe, 2006).

The government has been taking different measures to reduce poverty in the country. One of the basic measures, indicated in the SDPRP, is the initiative to promote cooperatives with special emphasis on the agricultural sector.

This strategy also indicates that cooperative will be the institutions which can help solve the basic economic limitations of farmers. They are, for example, expected to mobilize finance for the rural poor.

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. (USDA, 1997)

The ICA defines a cooperative as

“An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise”.
(ICA, 2003)

In one sense, cooperation is probably as old as civilization. Early people had to learn to work together to meet their common needs, or perish. In the early 1800s, coop businesses appeared on several fronts. In Britain, coops were formed as a tool to deal with the depressed economic and social conditions related to the struggles with Napoleon and industrialization. In the US, farmers began to process their milk into cheese on a cooperative basis in diverse places. Writers sometimes trace the origin of coops from the *Rochdale Equitable Pioneers' Society*, an urban, consumer coop organized in England in 1844. It sold consumer goods such as food and clothing to persons unhappy with the merchants in the community. (USDA, 1997)

Today, coop businesses are found in nearly all countries, from the developing nations of Africa, Asia, and South America to the industrial counties of Europe and North America. Northern Europe, where the cooperative movement took hold very early, still contains a strong cooperative presence, especially in agriculture. Many of the cooperatives in these countries have long histories and are extremely successful. (Zeuli and Cropp, 2004)

Cooperatives in Africa have a long and complicated history. Initially modern cooperatives took root through colonialism and as a result particular traditions of cooperation were fostered on the continent. British colonialism developed a particular approach to cooperatives that was different from French traditions, for example. The former attempted to organize cooperatives in a unified way through sectors, while the latter embedded cooperatives within a wider social economy. However, despite these differences colonial-era cooperatives in Africa were used as instruments to organize cash crop sectors that linked in with the needs of colonial trade. (Satgar and Williams, 2008)

Latter during post colonialism the role and place of cooperatives in development continue. Many colonially defined roles for cooperatives were continued and strengthened in agriculture, for example. However, in post-colonial times the state also played a direct role in pushing for the development of cooperatives. Various abuses of the cooperatives models came to the fore in these state-led processes. (*Ibid*, 2008)

Veerakumaran (2007) states that modern form of cooperatives started in Ethiopia during the ruling era of Emperor Haileselassie I. Emperor Haileselassie I was Ethiopian ruler during 1932-1974. In 1960 the first legislative called "Farm Workers Cooperatives Decree" was declared as Decree No.44/1960. After the over throw of Haileselasse's monarchical system in Ethiopia, the military Junta has got the chance to come to the power in 1974. The peasant associations were given legality by proclamation no. 71/1975. After the downfall of the Derg regime, there was a gap between 1991- 1995 in the cooperative movement of Ethiopia as there was no a responsible authority which can lead the movement. Later on due to cooperative experts' dedication and devotion and the government's commitment towards cooperative development, it became necessary to enact new cooperative proclamation which suits to the current economic system.

Cooperatives are regularly described by a number of classification schemes. The more important ways to categorize are by the geographical territory served, the governance system and the functions they perform (USDA, 1997). Based on the functional classification of cooperatives, agricultural cooperatives have the largest number. Furthermore, there are different types of agricultural cooperatives in the globe. One type of these cooperatives is the dairy cooperatives.

Value-adding is simply the act of adding value to a product, whether you have grown the initial product or not. It involves taking any product from one level to the next. For farmers, value-added has a particular importance in that it offers a strategy for transforming an unprofitable enterprise into a profitable one (Kent Fleming, 2005). Cooperatives involved in such operations are called processing or value adding cooperatives.

A broad definition of value adding is to economically add value to a product by changing its current place, time, and form characteristics to characteristics more preferred in the marketplace. As a specific example, a more narrow definition would be to economically add value to an agricultural product (such as wheat) by processing it into a product (such as flour) desired by customers (such as bread bakers). (Coltrain et al., 2000)

1.2 Statement of the Problem

Many materials written on Ethiopian economy and related issues prove that the country is one of the poorest nations in the globe. The World Bank report (2004) indicates that, at the heart of the growth debate in Ethiopia is the fundamental question whether agriculture can become the engine of overall economic growth, as envisaged in the Agricultural Development Led Industrialization (ADLI) strategy adopted by the government of Ethiopia since the early 1990s.

By its vastness at 85 percent of the labor force and the fact that 90 of the poor are in the rural sector, what happens or does not happen in terms of agricultural and rural development has a critical impact on poverty.

At present, Ethiopia remains in the very early stages of its primarily agrarian structure, characterized by low levels of agricultural productivity, high agricultural employment, with a subsistence orientation.

Moreover, Walton Joshua quarrel that, food security in Ethiopia depends largely on smallholder agriculture. The sector has a very low capacity and is unable to meet the demand of agro-industries for food and raw materials. Productivity of smallholder agriculture remains at the subsistence level, due primarily to the unreliable supply and unaffordable prices of farm inputs, and to poor rural marketing infrastructure. Consequently, rural income is low and poverty becomes large. He believes that cooperatives are indispensable institutions for addressing such a structural problem. He added that cooperation is an age-old tradition that runs through the fabric of Ethiopian society. For centuries, the spirit of self-help has been an integral part of farming communities. However, despite the existence many agricultural cooperatives in Ethiopia, smallholder farmers continue to be under-served, exploited and marginalized. Nevertheless his argument does not show reasons behind.

The international role of cooperatives in reducing poverty in a nutshell conceptual sense is somewhat studied. The ILO/ICA 2003 report cited in *Frederick O. et al. (2008)*, for example, shows that, cooperatives have been serving people in different corners of the world. There is an emerging consensus among many actors, including the United Nations (UN), the International Labour Organization (ILO), the International Cooperative Alliance (ICA) and the European Union (EU), that the cooperative enterprise is one of the few forms of organization that meet all dimensions of poverty. The broad argument is that cooperatives have the advantages of identifying

economic opportunities for the poor; empowering the disadvantaged to defend their interests; and providing security to the poor by allowing them to convert individual risks into collective risks. Consequently, cooperatives are increasingly being presented as a pre-condition for a successful drive against poverty and exclusion, more so in Africa.

Conversely, Panu Kalmi (2006) argues that, despite their importance, cooperatives do not receive much attention in current mainstream economics. An indication of this is the neglect of cooperatives in most popular introductory economics textbooks. The absence of material on cooperatives in textbooks means that many students do not become familiar with the concept. His analysis further shows that the quantity and quality of the discussions related to cooperatives declined markedly after the Second World War which coincides with several structural changes within the shift from institutionally oriented analysis to the neoclassical analysis, the global dominance of US economics.

On the other hand, the cooperative movement in Ethiopia is at infant stage. Though the country had started a modern cooperative movement in the period of Haileselesie, the development was dismantled and mismanaged in the next regime, the Derg. It was revised with a capitalist form after the fall of the Derg regime, in 1991. Moreover, the place of cooperatives in the academic system of the country is still not developed though there are some universities which offer the science of cooperatives.

Despite the fact that there are thousands of cooperatives in Ethiopia, their role and activities are not magnified. The history of modern cooperatives in Ethiopia is not well studied. There is no enough literature on the history, economic and social roles, challenges and opportunities, policy environment, actors in the cooperatives movement, the needs for cooperatives in different sectors and other basic related issues of cooperatives.

There are only few researches done on the cooperative movement in general, mainly by graduate students of Addis Ababa University. However, the number and types of cooperatives in the country has been increasing since 1990s. As cooperatives are being assumed to be the best tool to reduce poverty, especially rural poverty, their roles should be clearly studied.

Therefore, studying the role of dairy cooperatives, with a comparative analysis of both processing and marketing, in reducing poverty in the country is paving the way for more similar works and is a good attempt to fill a knowledge gap.

1.3 Objectives of the Study

The major objective of the research is to analyze the contributions of dairy Cooperatives in reducing poverty in Ethiopia. Furthermore, the specific objectives of the research are:

- to assess how the dairy value adding or processing and non-processing cooperatives operate;
- to evaluate and describe the advantages of value adding cooperatives in comparison to others;
- to assess the contribution of value adding operations to the poverty reduction dedication of members;
- to distinguish the challenges of the value adding cooperatives;
- to indentify the actors in the value adding processes; and
- to assess the gender balance in using value adding cooperatives for socio-economic advantages.

1.4 Research Questions

The major questions raised to meet the objectives of the study are:

- Can dairy cooperatives improve the living conditions of their members?

- What are the advantages of processing products for the farmers?
- What are the benefits of processing cooperatives for their communities?
- Are processing dairy cooperatives better than the dairy marketing only cooperatives in reducing poverty?
- Is there a suitable policy environment for the development of value adding cooperatives in Ethiopia?

1.5 Significance of the Study

Since the modern cooperative movement in Ethiopia is in an infant stage, there are not enough sources of information. Such condition, lack of adequate information on cooperatives in Ethiopia, could undermine social, cultural, economic and other potential advantages of cooperatives in the country.

Doing this study may help policy makers, regional and national cooperative leaders, and promoters identify the areas through which cooperative based activities can reduce poverty. Secondly, it sheds light on the cooperative movement by describing the benefits of cooperatives in processing agricultural products particularly dairy products. Lastly, it may show governmental and non-governmental, national and international, organizations which work in poverty reduction, the practical gaps and problems of value adding cooperatives to be addressed.

1.6 Scope and Limitations of the Study

The scope of the study is limited to assessing and describing the role of value adding or processing cooperatives in reducing poverty with special comparison of the dairy value adding with the dairy marketing cooperatives. Since there are not well equipped and capable dairy cooperatives at enough number in Ethiopia, the Ada'a Dairy Cooperative as primarily dairy value adding one and Selale Dairy Cooperative Union as dairy marketing, are taken as case studies.

Since the cooperative movement in general and the cooperative education in particular is at its infant stage, the access to enough information was very limited. This was the first limitation of the study. Secondly, addressing many member farmers in the rural areas of the districts, where the selected cooperatives are operating, was very difficult. Moreover, the farmers live on verily extended places which need high financial capacity and considerably longer time to address.

1.7 Methodology of the Study

1.7.1 Rationale for Sample Selection and Sampling Design

The cooperatives are selected after assessing cooperatives which operate in processing agricultural products. As indicated by the Federal Cooperative Agency, the Ada'a Dairy Cooperative is the only agricultural product processing cooperative in the country. Though there are number of cooperative initiatives to introduce the issue of value adding and processing, it is the first type with modern a processing unit. Consequently, this cooperative is the primary target to be studied in order to meet the objectives of the paper.

The Ada'a Dairy Cooperative was formed in 1996 by 34 small scale dairy farmers in Bishoftu city, Oromiya regional state, with initial capital of 3,400 Birr. Currently, the cooperative has 935 members and 71 employees with a total capital of 11 million birr. Moreover, it has 15 milk collection centers, modern dairy processing plant with a capacity of 15,000 liters per day, and a feed processing plant. These make the cooperative special and the only one in such a way in Ethiopia. Moreover, the participation of female members is very high.

Besides, in order to assess the difference between processing and non-processing dairy cooperative in poverty reduction, the Selale Dairy Cooperative Union is taken as a second case study. This cooperative is

located in North Shoa Zone of Oromiya regional state making Chanco town as a center. The main purpose of the union is collecting milk from its members living in different adjoining Weredas and selling to private milk processors. According to the report of the union, the current total number of members is 1,450.

Robert and Brewer (2003) pointed out that the social survey is one of the best known and most widely used approach to investigate in the social sciences. It is normally associated with the questionnaire, the most common technique for data collection used by surveys.

In order to achieve the objectives of the study some members were selected out of the total members. To show the trend and magnitude of poverty reduction in the cooperative members who joined the cooperative at different times were treated through the data collection methods. Such selection was also effective in addressing the gender issue in poverty reduction by including women members of the cooperatives in the data gathering and analysis of their conditions. Generally, the sampling design of both cooperatives is shown below:

Table 1.1: Sex and Membership Time of Ada'a Dairy Cooperative Respondents

Sex	Year Intervals			
	Founder (1996)	1996-1999 (non-founder)	2000-2002	>2003
Male	7	6	7	6
Female	18	4 (40%)	11	5
Total	25 (39%)	10 (16%)	18 (28%)	11(17%)

As indicated above out of the total active members, 422, only 64 members were included in the survey. Then after 25 members were founders, 10 respondents were who joined the cooperative in between 1996 and 1999, 18 targeted members have joined the cooperative in between 2000 and 2002, and the remaining 11 have joined the cooperative after 2003. Moreover, since most of the active members are female they cover higher percentage than men in the survey.

In contrary, out of the 20 primary cooperatives of the union only 5 were included in the study.

Table 1.2: General Background of Selale Dairy Cooperative Union Respondents and Sampling Methods Used

Primary Coops	Time of Establishment	Number of Respondents Selected			Sampling Methods Used
		Male	Female	Total	
Caancoo	1997	23	12	35	Simple Random
Goro Haro	1999	15	5	20	Simple Random
Dubar	2003	15	5	20	Simple Random
Lalistu	2006	8	2	10	Simple Random
Evano	2006	8	2	10	Simple Random
Total		70 (70%)	30 (30%)	100 (100%)	

First of all, stratified sampling was employed to select the primary cooperatives in the union. Later on, individual members were selected from each primary cooperative based on simple random sampling. Accordingly, the number of individuals from each cooperative was determined based on the size of the total membership. However, snowball sampling was employed latter to replace inaccessible members of the union. Moreover, the membership year of the respondents is shown in the table below:

Table 1.3: Sex and Membership Time of Selale Dairy Coop Union Respondents

Sex	Year Intervals				Total
	Founder (<2000)	2000-2003	2003-2006	>2007	
Male	20	24	12	14	70
Female	16	6	2	6	30
Total	36 (36%)	30(30%)	14(14%)	20(20%)	100(100%)

1.7.2 Survey Design, Sources and Methods of Data Collection

Survey Design

Longitudinal survey designs require resources beyond the reach of most researchers, because partly the study must take place over a long period to be able to show change and, second, they require large samples because of attrition, where participants are lost to the study. (Williams, 2003).

As Payne and Payne (2004) stated, longitudinal studies collect data from the same sample (a 'panel') of people on more than one occasion (usually using the same methods) over a period of time, so that unlike cross-sectional studies that collect data only once and in one short period, sequences of action and social change over time can be analyzed.

Though this study was going to analyze the situation of the members up to 10 years to show the change in the life of the members, the data was collected once in short period of time. Therefore, cross-sectional survey was utilized.

On the other hand, since the objective of the study is to investigate the role of processing and non-processing cooperatives in reducing poverty, it is both explanatory and descriptive in approach. It is descriptive because the impact of membership in the cooperative and processing products on the poverty level in regard to the income level and other benefits is established. And it is explanatory study in which the socioeconomic status and various advantages of members are analyzed by taking case studies. Therefore, such nature of the study led the researcher to use both qualitative and quantitative data collection techniques.

Sources and Methods of Data Collection

Triangulation in social research is the combination of different methods, methodological perspectives or theoretical viewpoints. Triangulated approaches to research assert that the result of combining varied approaches is net gains of the strengths of each contrasting approach more than cancel the weaknesses of their counterpart. The type of triangulation most commonly found is some combination of 'quantitative' and 'qualitative' approaches. Proponents of this type of triangulation point out that the advantages of the 'quantitative' approach correspond to the disadvantages of the 'qualitative' approach and vice versa. (Robert and Brewer, 2003)

In view of that, *between methods triangulation* was used in this study. Therefore, both primary and secondary data in qualitative and quantitative format were collected by using various approaches.

i. Primary Data Sources

Structured Questionnaire

As a main method of data gathering for the study, a structured and mainly closed ended questionnaire was prepared. Out of the total members in Ada'a Dairy Cooperative and Selale Dairy Cooperative Union, 64 and 100 members were included under this method.

In-depth Interview with the Cooperative Movement Leaders

Leaders of the cooperative movement in each Wereda or any administrative unit in the country in general are called as cooperative promoters, experts and so forth. Since these leaders are expected to be aware of the socio-economic changes in and around the cooperative, in-depth interview was conducted with them.

In-depth interview with the Coop Management Members

The cooperative proclamation 147/98 of Ethiopia states that the management bodies should be external people who are qualified in business management or related field of study. Since the cooperatives have their own employees in the management area, they were targeted to gather information about the performance of the cooperatives and their effectiveness to change the living standard of the members.

In-depth Interview with the Coop Members

Case studies using qualitative approaches are likely to use 'observation', and 'unstructured interviews' as methods of collecting data. They focus on detail and the natural order of events, seeking to extract meaning and theoretical statements from the data (Payne and Payne, 2004). Accordingly, to present some cases of the members for the purpose of showing their real situations, in-depth interview was conducted with members of both sides and the results were captured using tape recorder. More than 20 members were targeted under unstructured interview.

Focus Group Discussions

Focus groups can be described as a research approach whereby a group of individuals are selected to discuss together, in a focused and moderated manner, the topic under research (Robert and Brewer, 2003). In such manner, 5 FGDs, 2 in Ada'a Dairy Coop and 3 in Selale Dairy Coop Union, were managed for the group of respondents to discuss the topic under study.

Field Observations

To collect both qualitative and quantitative data, the researcher used field observations as supplementary method. Some qualitative data were not available or difficult to get an access. As a result, field observation had a great advantage to fill this gap.

ii. Secondary Data Sources

In addition to the primary data collected from various sources with different tools, secondary data was collected from different sources. The basic sources of quantitative and qualitative secondary data include: published and unpublished materials, audit and other operational reports, records of the cooperative, documents of cooperative promotion bodies, documents of the Federal Cooperative Agency, library documents, related thesis reports, important internet web sites, and other pertinent sources.

1.7.3 Data Processing and Methods of Data Analysis

Since both quantitative and qualitative data types are collected by employing different methods, diverse methods of data processing and analysis are used. For the quantitative data presentation and analysis, statistical methods such as mean, frequencies and percentages are employed in order to understand the socio-economic characteristics and conditions of the study subjects. Moreover, SPSS program is utilized to process the collected data, and interpretations are made accordingly.

On the other hand, the primary and secondary qualitative data collected from diverse sources by using such as in-depth interviews and focus group discussion are coded, translated in to English and analyzed in order to use them as additional information for the contributions of the cooperatives in poverty reduction.

1.8 Organization of the Paper

This research paper is organized into four chapters. The first chapter deals with introduction and methodology of the study including background of the study, statement of the problem, objectives of the study, significance, scope and limitations of the study. The second chapter focuses on pertinent literature review whereas chapter three describes the study areas, background of cooperatives in Ethiopia and the background of the selected cooperatives. Lastly, chapter four is committed for major findings of the study followed by the conclusion and recommendations.

Chapter Two

Review of Related Literature

Chapter two has three main parts. The first part deals with definitions and concepts. This is followed by a section of the conceptual framework of the study while the last part provides an empirical review of pertinent works that relate to the study.

2.1 Concepts and Theories

2.1.1 Poverty

Meaning of Poverty

There is no clear consensus among development experts and policy makers on how to define measure and eradicate poverty. Accordingly, there is no a single absolute and standardized definition of poverty rather than defining it in relative terms.

Is poverty simply about the level of income obtained by households or individuals? Is it about lack of access to social services? Or is it more correctly understood as the inability to participate in society, economically, socially, culturally or politically? The answer is that the term has been used in all these ways: Income or consumption poverty, Human (under)development, Social exclusion, Ill-being, (Lack of) capability and functioning, Vulnerability, Livelihood unsustainability, lack of basic needs and Relative deprivation. (Simon Maxwell, 1999)

MacPherson and Silburn (1997) argue that poverty is a persistent problem which has presented political and moral challenges to all societies at all times. The word itself, poverty, is a familiar one which everyone understands, or thinks they understand. But the specific meaning we attach to the word depends upon the underlying concept of poverty we have in mind. It is possible to conceptualize poverty in many different ways, each one leading towards a different understanding of the meaning and

significance of the term, towards a different precise definition, which in turn will lead to parallel differences in the methods and measures used to estimate the numbers in poverty and gauge the depth of their impoverishment

According to the Encarta 2007, the word poverty was originated from an old French term *poverté* which was also originated from Latin word *paupertas*. Accordingly, poverty is state of being poor; the state of not having enough money to take care of basic needs such as food, clothing and housing. It is also a deficiency or lack of something.

“Fundamentally, poverty is a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and cloth a family, not having a school or clinic to go to; not having the land on which to grow one’s food or a job to earn one’s living, not having access to credit. It means insecurity, powerlessness and exclusion of individuals, households and communities. It means susceptibility to violence, and it often implies living on marginal or fragile environments, without access to clean water or sanitation” (UN Statement, cited in Dr David Gordon, 2005)

To be poor is to be hungry, to lack shelter and clothing, to be sick and not cared for, to be illiterate and not schooled. But for poor people, living in poverty is more than this. Poor people are particularly vulnerable to adverse events outside their control. They are often treated badly by the institutions of state and society and excluded from voice and power in those institutions. (WDR, 2001)

Moreover, the world is characterized by the division of ‘haves’ and ‘have nots’. The haves lead a luxurious life while the have-nots suffer from lack of decent, healthful and productive life (Todaro, 1997).

Types and Dimensions of Poverty

Imoisili (2001) stated that the definition and measurement of poverty can be quite elusive. It varies from place to place and from time to time. The World Bank cited in Imoisili has listed the following as faces of poverty:

- Hunger, lack of shelter
- Being sick and not being able to see a doctor
- Not being able to go to school and not knowing how to read
- Not having a job
- Fear for the future, living one day at a time
- Living in an unhealthy environment
- Powerlessness, lack of representation and freedom

According to the report of the Rio Group regarding the establishment of the poverty line, three basic approaches can be identified:

- The absolute poverty line
- The relative poverty line
- The subjective poverty line

According to the first of these approaches, the poverty line identifies the amount of money needed to acquire the goods and services that satisfy given absolute minima standards for each of the basic needs. As mentioned in the Introduction, however, it is frequently argued that the normative criteria used to define poor units should be of a relative nature. The second approach precisely adopts the view that the poverty line should explicitly refer to the average situation of the society. A person is poor if he/she satisfies the needs in a very unacceptable way relative to what is usual in his/her society. Hence, the poverty line is usually established as a proportion of the mean or median income or expenditure of the whole population. It is not necessarily the case that absolute poverty lines are low and relative lines are high. An important distinction between absolute and relative poverty lines rests also on how their values change as the distribution changes.

The subjective poverty approach differs from the previous two in that it considers that people's perception of what constitutes the minimum necessary household budget is the best standard of comparison for actual incomes or expenditures. In this approach, a survey of a representative sample of the population is carried out to gauge the opinion of the population in order to define the poverty line.

On the other hand, Organisation for *Economic Co-operation and Development (OECD)* poverty reduction guideline, an adequate concept of poverty should include all the most important areas in which people of either gender are deprived and perceived as incapacitated in different societies and local contexts. It should encompass the causal links between the core dimensions of poverty and the central importance of gender and environmentally sustainable development. Accordingly, poverty has economic, human, political, socio - cultural, risk, gender and environmental dimensions.

Measuring Poverty

Measuring poverty permits an overview of poverty that goes beyond individual experiences. It aids the formulation and testing of hypotheses on the causes of poverty. It presents an aggregate view of poverty over time. And it enables a government, or the international community, to set itself measurable targets for judging actions. In what follows, the chapter discusses the measurement of income poverty and the indicators of education and health—and then turns to vulnerability and voicelessness. (WDR, 2000/1)

Measuring poverty is not simple. It takes time, energy and money to measure poverty, since it can only be done properly by gathering survey data directly from households. Why, then, do we need to go to the trouble of measuring poverty? At least four good reasons come to mind. The World Bank poverty manual (2005) list down the following four major reasons:

A. To keep the poor on the agenda

It is easy to ignore the poor if they are statistically invisible. The measurement of poverty is thus necessary if it is to appear on the political and economic agenda.

B. To target interventions, domestically and worldwide

A second reason for measuring poverty is in order to target interventions. Clearly, one cannot help the poor without at least knowing who they are. This is the purpose of a poverty profile, which sets out the major facts on poverty (and, typically, inequality), and then examines the pattern of poverty, to see how it varies by geography (by region, urban/rural, mountain/plain, etc.), by community characteristics and by household.

C. To monitor and evaluate projects and policy interventions geared towards the poor

More generally, the third reason for measuring poverty is to be able to predict the effects of, and then evaluate, policies and programs designed to help the poor. Policies that look good on paper in practice may not work as well as expected. To judge the effects, one would ideally like to monitor the effects of a policy on the poor, and evaluate the outcomes in comparison with a control group.

D. To evaluate the effectiveness of institutions whose goal is to help the poor

The fourth reason for measuring poverty is to help evaluate institutions. One cannot tell if a government is doing a good job of combating poverty unless there is good information on poverty. This does not only apply to governments. The success of institution in pursuing this goal can only be judged if there are adequate measures of poverty.

However, there are different view points on the measurement of poverty. Simon Maxwell (1999), for example, stated the following debating issues:

1. Individual or household measures
2. Private consumption only or private consumption plus publicly provided goods

3. Monetary or monetary plus non-monetary components of poverty
4. Snapshot or timeline
5. Actual or potential poverty
6. Stock or flow measures of poverty
7. Input or output measures
8. Absolute or relative poverty, and
9. Objective or subjective perceptions of poverty

Poverty Reduction

Acknowledging the need for a broader agenda, the report of the World Bank (2000/1) proposes a general framework for action in three equally important areas. The first one is promoting opportunity for the poor through expanding different economic opportunities such as stimulating overall growth, building up assets and increasing returns on these assets through a combination of market and nonmarket actions.

The second proposed area by the World Bank in any efforts of poverty reduction is facilitating empowerment for the poor. This includes making state institutions more accountable and responsive to the poor; strengthen the participation of the poor people in political processes and decision making, and removing barriers of any social distinctions.

The last one is enhancing security for the poor people. This can be achieved through reducing poor people's vulnerability to ill health, economic shocks, policy-induced dislocations, natural disasters, and violence.

Opportunity, empowerment, and security have intrinsic value for poor people. And given the important complementarities among them, an effective poverty reduction strategy will require action on all three fronts, by the full range of agents in society—government, civil society, the private sector, and *poor people themselves*.

2.1.2 Cooperatives

Meaning of Cooperatives

It is very difficult to come by a single universally accepted definition for cooperative because of its flexibility. It serves different purposes and adapts to divergent economic and social systems.

But the most accepted definition which the ICA (International Cooperative Alliance) forwarded in its annual meeting at Manchester in 1995 is:

“An autonomous association of persons united voluntarily to meet their common social, economic and cultural aspiration through jointly owned and controlled enterprise.” (ICA, 2003)

Additionally, according to USDA: *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.*

Values and Principles of Cooperatives

Cooperatives have different values and principles which mostly governs the internal and external activity, and relations that the cooperative is going to create. Internally, they govern the relationship among members and the relationships between the cooperative and the members. Another set of values govern the external relations i.e. its relation with different institution that has an interest on their objective. According to the ICA Rules, Policies, Procedures and Standing Orders (2003), the values are:

1. Self help
2. Democracy
3. Equality
4. Equity
5. Honesty
6. Openness and social responsibility / caring for others
7. Autonomy

The following are the seven (7) principles which could highlight the most important areas where we can easily understand what cooperative is and how they play their role in improving the living standard of their members and for the development of the country as a whole. (Ibid, 2003)

1st Voluntary and Open Membership

Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibility of membership without gender, social, racial, political or religious discrimination. Open membership is to signify that co-operative is open to all persons who need and are able to use the service of co-operative and willing to accept the responsibility of membership without any artificial discrimination.

2nd Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the member. The members have equal voting right "one man one vote".

3rd Members Economic Participation

Members contribute equitably to the capital of their cooperative. At least part of their capital is usually the common property of the cooperative members.

4th Autonomy and Independence

Cooperatives are an autonomous, self help organizations controlled by their members. If they enter in agreement with other organization including government or raise capital from external source, they do so all terms that ensure democratic control by their members and maintain their cooperative autonomy.

5th Education, Training and Information

Cooperative provides education and training to their members, elected representative, manager, the community and employees. Consequently, they can contribute effectively to the development of cooperatives in general.

They inform the general public particularly to the young people and opinion leaders, about the nature and benefit of cooperation.

6th Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, regional and international structure. It is crucially important for the different kinds of cooperative to join when speaking to the government or promoting the cooperative way to the public. In order to build an integrated cooperative system, it is necessary that cooperative should cooperate among them. They should not compete with their own constitute members.

7th Concern for Community

Cooperative should work for sustainable development of the communities through policies approved by their members. Cooperatives are organizations that generally exist for the benefits of their member. Cooperatives have special responsibilities to ensure that the development of their community is sustained economically, socially and culturally. They have the responsibility to work steadily, to protect the environment.

Benefits of Cooperatives

The main benefit of cooperatives is primary economic. This is largely due to the common economic needs of the members. Besides, based on certain moral and values, cooperatives have social and political advantages.
(USDA, 1990)

A. Economic Benefits

As an economic entity, a cooperative is primarily responsible for seeking solutions to the common economic problems of its members.

The following points highlight the economic advantage of cooperatives:

- The substitution of the profit incentive in business by that of service to humanity or production for consumption. Here the priority is given to the satisfaction of human needs instead of greed of profit.
- A more equitable distribution of wealth.
- Stabilization of employment, which will result from the regularity of demand and the absence of speculation.
- The reduction in cost of distributes systems by eliminating unnecessary middlemen and fraudulent practices.
- The training of people to spend wisely as result of thrift or saving habits which mostly promoted in most cooperatives.

B. Social and Moral Benefits

The ultimate aim of the cooperation is to create better society. The following are list of social and moral benefits of cooperatives:

- Cooperatives provide training to self -help and mutual help
- Cooperative help to promote the condition of weaker sections
- They preserve the dignity of man i.e. Caring for each other.
- Promotion of social welfare

Dairy and Dairy Cooperatives

A dairy is a facility for the extraction and processing of animal milk—mostly from cows or goats, but also from buffalo, sheep, horses or camels—for human consumption. Typically it is a farm (dairy farm) or section of a farm that is concerned with the production of milk, butter and cheese (Wikipedia). De Leeuw et al. (1996) cited in Sintayehu et al. (2008) defined dairy production as a biologically efficient system that converts large

quantities of roughage, the most abundant feed in the tropics, to milk, the most nutritious food.

The dairy industry also occupies a special position among the other livestock sectors due to four interrelated features (Perera 1999, cited in Sintayehu Yigrem et al. (2008)). The first factor is related to the specific properties of milk in that it is a bulky and heavy commodity, which is produced on a daily basis. Secondly, the socio-economic position of the majority of the farmers involved is small-scale producers, with a weak and vulnerable position on the market. Thirdly, dairy cooperatives hold a strong position in milk marketing and processing. The fourth and final feature is the fact that milk is a very valuable but an extremely expensive raw material to make a wide range of products.

According to the USDA Cooperative Report 1 Section 16, dairy cooperatives today run the gamut in size and extent of services they provide. They differ markedly because they have taken a variety of avenues to address the needs and preferences of their members and specific market situation. Their divergent operations can be broadly grouped into two operating types: "bargaining only" and "manufacturing/processing." Furthermore, within the manufacturing/processing group, there is a wide range in the type and scale of manufacturing operations.

A. Dairy Bargaining-Only Cooperatives

Many cooperatives focus their operations on negotiating milk prices and terms of trade for raw milk of members, but they do not engage in further manufacturing or processing. These "bargaining-only" dairy cooperatives are the most numerous cooperatives of dairy type.

Bargaining-only cooperatives have relatively few assets, most are small. Members of bargaining-only cooperatives potentially face the greatest marketing risk when the milk supply exceeds market needs. When there is

surplus product, bargaining-only cooperatives may have to sell some of their supply at reduced (“distressed”) prices and/or incur increased costs in moving members’ milk long distances to find a market. Lack of manufacturing facilities during manufacture or process milk into storable products may weaken their negotiating power with milk buyers. Also, they forgo potential margins that may be captured by further processing members’ milk.

B. Dairy Manufacturing/Processing Cooperatives

Owning manufacturing facilities improves a cooperative’s ability to balance member milk supply with customer demand, strengthening its negotiating position. These cooperatives can provide their customers a full supply of raw milk and remove the burden of disposing of unneeded milk. Manufacturing operations also offer cooperatives the opportunity to add value to their members’ milk. The extent and character of these cooperatives’ operations vary widely. Furthermore, within the manufacturing/processing group, there is a wide range in the type and scale of manufacturing operations.

Commodity Manufacturing Cooperatives

Some cooperatives operate large-scale commodity manufacturing plants making undifferentiated or generic “hard products” in bulk, such as butter, nonfat dry milk powder, and cheese. They run a high volume of member milk through their plants to make the commodity products. These “commodity manufacturing” cooperatives aim to operate their plants at maximum capacity in order to achieve low per-unit costs. They all sell some raw milk to other handlers, but for a few it’s a major portion of their member milk.



Niche Marketing Cooperatives

Quite distinct from the cooperatives making undifferentiated products, a number of small and medium-sized cooperatives manufacture and market specialty dairy products for niche markets. These “niche marketing” cooperatives aim to capture some marketing margins in addition to processor margins, thus taking their operations closer to the consumer.

Fluid Processing Cooperatives

In a similar vein, a small number of dairy cooperatives have been successful in marketing bottled milk. They typically make other products in addition to fluid milk, such as ice cream and soft dairy products (yogurt, sour cream, dips). These fluid processing or “bottling” cooperatives also capture processor margins and at least some marketing margins through their operations.

Diversified Cooperatives

Finally, some cooperatives operate a system of plants to manufacture a variety of dairy products—both commodity and differentiated—including bottled milk. At the same time, they sell a substantial portion of their milk supply to other handlers. Some are sophisticated marketers of branded, consumer products.

2.2 Conceptual Framework of the Study

The lack of a universally accepted definition of poverty is indisputably one of the main hurdles for poverty reduction policies and programmes. Indeed, the definition of poverty is subject to important evolutions further of the work of a lot of researchers and to studies related to poverty perception by poor people themselves. Poverty has firstly been tackled as a purely economic issue. The underlying idea was that poverty could be reduced through an increase in poor people’s incomes. But today, it is admitted that an increase in household income on its own cannot solve all the problems.

For instance, girls' schooling does not have a direct correlation with family income. Life expectancy can also vary regardless of financial situation.

The works of Nobel Prize winner *Amartya Sen* have contributed to conceptualizing another aspect of poverty, its non-monetary dimension. Exposure to risks and to income volatility is two essential aspects of poverty. It results for poor people in a feeling of vulnerability to poverty mainly. Being poor is not only a state where one only has few assets (monetary or non-monetary), it is also a state where one is vulnerable and where one can lose the little one has. (Ibid)

Similarly, the *World Development Report (2000/2001)* discussed poverty mainly in terms of opportunity, empowerment, and security. Acknowledging the need for a broader agenda, the report (2000/2001) proposes a general framework for action in these three equally important areas:

1. **Promoting Opportunity:** expanding economic opportunity for poor people by stimulating overall growth and by building up their assets and increasing the returns on these assets, through a combination of market and nonmarket actions.
2. **Facilitating Empowerment:** making institutions more accountable and responsive to poor people, strengthening the participation of poor people in political processes and local decision making, and removing the social barriers that result from distinctions of gender, ethnicity, race, and social status.
3. **Enhancing Security:** reducing poor people's vulnerability to ill health, economic shocks, policy-induced dislocations, natural disasters, and violence, as well as helping them cope with adverse shocks when they occur. The ICA and ILO report further shows that Vulnerability to poverty has two aspects: the external side of exposure to shocks, stress and risk; and the internal side of defenselessness, a lack of means to cope with damaging loss.

Opportunity, empowerment, and security have intrinsic value for poor people. And given the important complementarities among them, an effective poverty reduction strategy will require action on all three fronts, by the full range of agents in society—government, civil society, the private sector, and poor people themselves. (WDR, 2000/2001)

The ILO and ICA argue that the co-operative enterprise is the only form of organization meeting so fully all dimensions of poverty such as resumed by World Bank: *opportunity, empowerment and security*. The following areas of cooperative enterprise advantages are discussed to prove the argument.

1. Opportunities

- Economies of scale for farmers
- Better price for products
- Saving and credit services
- Input provision
- Access to better markets

2. Empowerment

- Active participation
- Decision making

3. Security

- Collective risks
- Conflict reduction and management

According to the multidimensional overview of poverty provided by World Bank and the potential of cooperatives in meeting the numerous dimensions of poverty discussed under three dimensions, the study deals with the impact of dairy cooperatives on these extents. Generally, the dependent and independent variables of the study are shown in the chart below to indicate the role of dairy cooperatives in reducing poverty in different dimensions. Moreover, encouraging policy environment and the participation of actors are indicated.

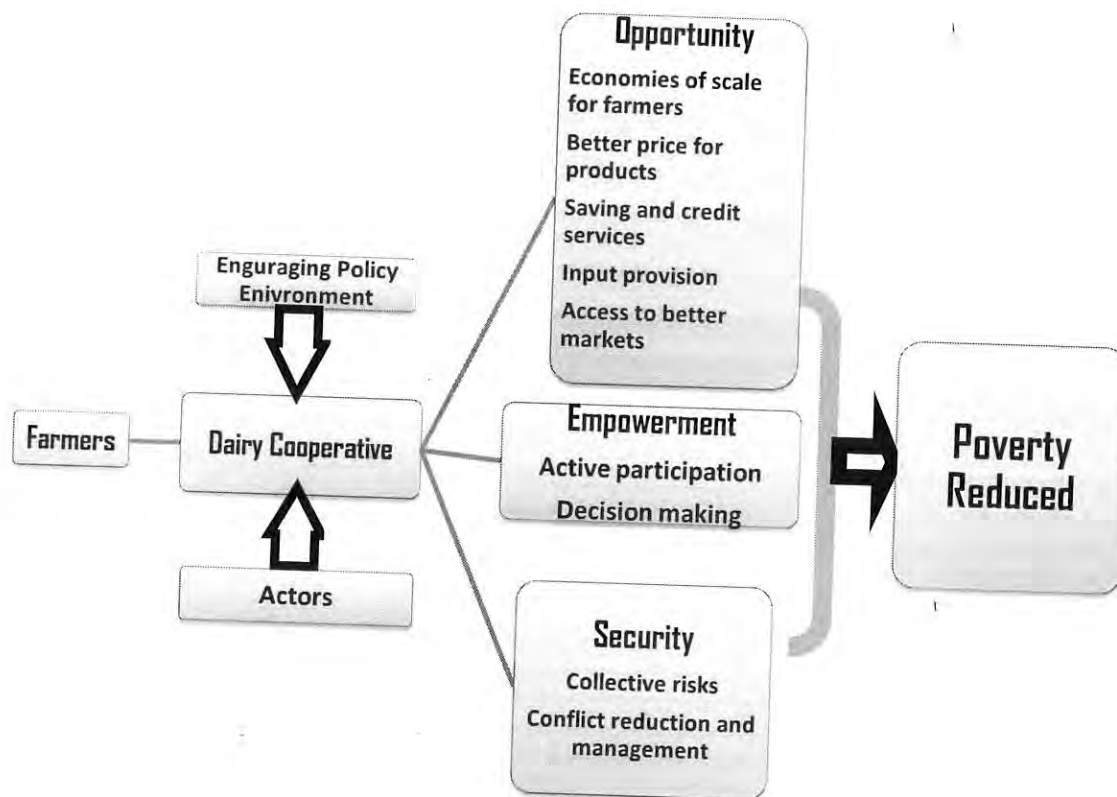


Figure 2.1: Conceptual Framework of the Study

Source: Adapted from ILO and ICA (The Global Co-operative Campaign against Poverty)

2.3 Empirical Literature Review

2.3.1 Role of Cooperatives in Reducing Poverty

Imoisili (2001) stated that 7 July 2001 has just been marked as the 7th UN International Day of Cooperatives and the 79th ICA International Cooperative Day. It was estimated that there were over 760 million individuals who have chosen the Cooperative Advantage. Values, principles, ethics and business competence constitute the Cooperative Advantage, both for members and for the communities in which they operate. Since cooperatives are member-owned and member-controlled under democratic principles, they certainly put people first. Increasingly, they are embracing cooperative entrepreneurship in order to make them competitive enterprises.

The co-operative enterprise is the only form of organization meeting so fully all dimensions of poverty such as resumed by World Bank: opportunity, empowerment and security. (*ICA and ILO, the Global Co-operative Campaign against Poverty*)

Opportunity: Coops, through their capacity to involve all sectors of the economy, represent a means for the poor to identify those opportunities. For instance, co-operatives give farmers, unable to market their products, the chance to get together and enjoy economies of scale. This way, they can obtain goods at affordable prices. To those excluded from classical financial systems, co-operatives give the chance to obtain credit in best conditions and to secure savings. For those who do not have enough financial resources to buy basic foods, co-operatives enable them to get these same products but at a lower than market price through wholesale purchase, etc.

Furthermore, co-operatives are important forms of social capital that empower collective self-help action that makes development happen. Acting through their own organizations, small-scale producers and workers and the poor especially in rural areas, access goods, markets and government services more efficiently aimed at improving their livelihoods and undertake other self-help action to improve their communities.

Empowerment: Co-operatives are a means through which empowerment of disadvantaged people is possible. Their democratic organization, based on their "one member, one vote" rule, and the active participation of their members, give to everyone the possibility to defend its own interests. By definition, these interests are convergent if not common. Every member gives himself the means to meet his own needs by participating actively in the life of the co-operative.

Security: Co-operatives allow people to convert individual risks into collective risks by putting together members wishing to protect themselves from the same risks at an affordable cost.

In this field, in industrialized countries (Europe, North America and Japan especially) and in developing countries as well (in French-speaking countries notably) insurance co-operatives have already proven themselves efficient. Risk and vulnerability contribute to poverty directly, e.g. through the depletion of productive assets from bad weather, but also through the response of poor households to risk: withdrawal of children from school, specializing in low productivity activities (informality). In addressing risk and vulnerability, co-operatives have an impact upon poverty reduction.

In practice, different types of cooperatives are serving the world population. The ICA report indicated that more than half of the world population was served by cooperatives in 2000s. Cooperatives have succeeded to get millions of people as members in throughout the world with higher percentage in developed countries.

Table 2.1: Membership Size of Cooperative Movements in Some Countries

Country	Membership (% of population)
Austria	47.5
Finland	46
Ireland	60
Sweden	54
Switzerland	50
United States	57
Belgium	35
Denmark	34
Netherlands	41

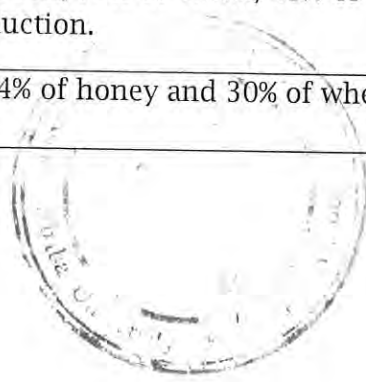
Source: Zeuli and Cropp, 2004

Moreover, their contributions in different sectors of the economies of different countries are shown in the tables below.

Table 2.2: Role of Coops in the Economies of Different Countries

Country	Type of Coops	Coverage/Roles of the Coops
Belgium	Pharmacies	19.5%.
Brazil	Agricultural	72% of the wheat production, 44% of barely, 43% of soya, 39% of milk, 38% of cotton, 21% of coffee and 16% of maize
Bolivia	Saving	25% of the savings
Canada	Maple Sugar	35% of the world's maple sugar production.
Colombia	Health Coops	25% of the population.
Finland	Banking and Agricultural Coops	74% of the meat products, 96% of dairy products; 50% of the egg production, 34% of forestry products and handled 34.2% of the total deposits in Finnish banks.
Japan	Agricultural	91% of all Japanese farmers in membership
Kenya	Different Types	45% of the GDP and 31% of national savings and deposits, 70% of the coffee market, 76% dairy, 90% pyrethrum, and 95% of cotton.
Korea	Agricultural Coops	Over 2 million farmers (90% of all farmers), and an output of USD 11 billion. The Fishery co-operatives also report a market share of 71%.
Kuwait	Consumer Coops	80% of the national retail trade.
Norway	Different Types	99% of the milk production; consumer co-ops held 25% of the market; for 8.7% of total exports; for 76% of timber
Poland	Dairy Coops	Dairy coops are responsible for 75% of dairy production.
Singapore	Consumer	hold 55% of the market in supermarket
Slovenia	Agricultural	72% of the milk production, 79% of cattle; 45% of wheat and 77% of potato production.
Uruguay	Agricultural Coops	90% of the total milk, 34% of honey and 30% of wheat.

Source: www.ica.coop



2.3.2 Cooperatives in Ethiopia

In Ethiopia there are *three* well known traditional cooperative associations or self-help groups. Edir is the first traditional form of cooperative operating almost in all parts of Ethiopia, rural and urban. Almost the majority of the people especially heads of particular family are members of *Edir*. The main objective of Edir is to help a family who is the member of Edir in case of sorrow and happiness which require personal, material and financial support from all of the Edir members based on the rules and regulations (stated in the by-law of the Edir). (Veerakumaran, 2007)

Ekub is other form of traditional cooperative organizations or traditional self-help group in Ethiopia. Ekub is a financial form of traditional cooperative formed voluntarily. The formation of “Ekub” is based on classes of people who have identical (similar) earning or income. Unlike saving and credit Cooperatives, it does not bear interest on the money saved (collected). The person who has got the money on his turn basis solves his immediate economic and social problems. (Ibid, 2007)

The third form is Debo/Wenfel/Lefenty. This form of traditional cooperative or mutual help group is still another very important traditional form of cooperation in Ethiopia. It is mainly a cooperation formed at the rural areas of different parts of the country where most of the people are farmers. It does not have a system of administration like the other form of associations; it is based on equivalent labor or material contribution by each farmer.

Veerakumaran (2007) argue that these traditional cooperatives share the following features with modern form of cooperatives:

- Voluntary membership
- Democratic control and administration
- Fair and equal compensation
- Equal contribution of members

- Equal participation of each member.
- Service to members
- Cultural development and other development activities
- Political neutrality
- Equal opportunity to all members
- They can be organized at working place, living area bases.

i. Development of Modern Cooperatives in Ethiopia

Cooperative Movement during the Regime of Haileselassie (1960–1974)

Modern form of cooperative was started in Ethiopia during the ruling era of Emperor Haileselassie I. In 1960 the first legislative called "*Farmer workers Cooperative society Bureau*" was declared on the bases of decree *Number 44/1960* for the establishment of modern cooperatives societies. Under this new legislative, the government had planned to establish 20 cooperatives but only 4 Cooperatives were formed. This happened during the first five year development plan of the country (1957-1962). According to the decree, the government was to provide the cooperatives with government land, which was to be owned collectively as "Rist" land, and thereby control the then prevailing serious unemployment and other socio-economic problems (Kebabaw, 1978 cited in Hailu Adugna, 2007)

Moreover, Veerakumaran (2007) stated that the Cooperative decree no.44/1960 had been limited to farm workers. It was felt that it should be revised to include cooperatives of all types. Therefore, decree number 44/1960 was replaced and cooperative society *Proclamation of 241/1966* was issued with the following important objectives:

- Reducing the cost of credit
- Reducing the cost of goods and service for production and consumption
- Minimizing and reducing the individual impacts of risks
- Spreading knowledge of practical technical improvements; or

- May otherwise contribute to achieve the above mentioned purposes

To alleviate the financial problem, a National Cooperative Investment Fund which would be administrated by special cooperative credit section in Development Bank of Ethiopia was to be set up.

The Post Revolution Cooperative Movement (1974–1991)

The 1974 political revolution of Ethiopia had brought about fundamental structural changes in socio-economic and political order of the country. According to Kababaw (1978) cited in Hailu Adugna (2007), the revolution has considerably and effectively attacked some of the obstacles to cooperative movement during the pre-revolutionary period such as institutional, and other financial and administrative problems.

At the beginning, the government issued a land reform proclamation followed by another proclamation on the formation of peasant Associations. The peasant associations were given legality by *Proclamation No. 71/1975*. In this proclamation, the objectives, powers and duties of peasant associations as well as service cooperatives were clearly stated. It was during this time that many agricultural associations (“*Ye’irsha Mahber*”) were unwillingly organized in most of the then provinces. (Veerakumaran, 2007)

The *Proclamation No. 138/1978* was issued later in order to include other types of Cooperatives like Housing, Thrift and Credit, Handicrafts and etc. All the efforts made to restructure the Cooperative movement based on these proclamations were essentially geared towards direct control of cooperatives and turning them into government and political rather than socio economic development instruments. Between 3-10 peasant association were deemed to form service Cooperative providing services to the members such as grain marketing, inputs supply, credit, tractors, transport, services and consumer goods supply.

They were considered interim institutions for future massive socialist rural economic infrastructures and systems. (Veerakumaran, 2007)

Cooperative Movement in Ethiopia Post 1991

After the downfall of the Derg regime, there was a gap in between 1991-1995 in the cooperative movement of Ethiopia. Later, due to cooperative experts' dedication and devotion, and the government's commitment towards Cooperative development, it became necessary to enact new cooperative proclamation which suits to the current economic system. The agricultural Cooperative society's proclamation No.85/1995 was issued at the right time to create a favorable condition for the development of agricultural cooperatives. The proclamation was however, meant to serve only agricultural Cooperatives. Other types of Cooperatives had no chance (legal ground) to adjust themselves to the newly created environment. (Veerakumaran, 2007)

In the history of Cooperative movement in Ethiopia, the government has taken serious measures after 1996. (Ibid, 2007)

- Organizing and reorganizing different types of agricultural coop societies and establishing coop promotion bureaus/ offices in regions.
- In the Federal government the cooperative promotion desk under the prime minister office has also been established.
- The Federal government issued proclamation Number 147/98 to establish cooperative organizations and to bring them all under one umbrella.
- Later, the Federal Coop Commission (the currently Federal Coop Agency) based on proclamation No. 274/ 2002 was established.
- Moreover, to correct the short comings in the proclamation 147/1998 amendment 402/2002 and regulation number 106/2002 became important instrumental documents in the cooperative movement of the country.

ii. The Current Status of Cooperatives in Ethiopia

The Cooperative Census Report of the Federal Cooperative Agency (2009) stated that, according to the cooperative proclamation number 147/98 of the country, the cooperative development has a three tiered system; Primary, Secondary /Union/ and Federation. The cooperatives Liege will be established as a representative body of the whole cooperative movement of the country.

Cooperatives have extended across the entire country and there are 5.9 million members nationwide as of June, 2009. Moreover, it is estimated that about 33 % of the total population is indirectly benefited from the activities and/ or services of the cooperatives. (FCA Coop Census Report, 2009)

Primary Cooperatives

The number of primary coops increased from 19,146 in 2005 to 24,345 in 2008, and to 26,672 in June 2009, while the total number of members of the primary coops increased from 3,911,834 in 2005 to 4,767,955 in 2008, and currently reached to 5,899,761 with about 16.4% female members. As of December 2007, the primary coops had a total capital of 835,067,162 Birr. (Ibid, 2009)

The Census also shows that, though the distribution of the coops is not fair, in more than 40% of the rural Kebeles one or more coops are established. There is more concentration in the four regions (Oromiya, Amhara, SNNP, and Tigray) as compared to pastoralist and semi-pastoralist regions. (Ibid, 2009)

Cooperatives Unions

The establishment of the cooperatives unions is a recent phenomenon in the history of cooperatives in Ethiopia. It was during the last twelve years that cooperative unions were formed to centralize the activities of primary cooperatives and creating advanced power of cooperation.

As of June 2009, the total number of unions increased to 174 and the primary cooperatives represented by unions increased to 3849, which is 14.4% of the total primary cooperatives in the country. Currently, they have a total capital of Birr 208,909,495. Moreover, the Oromiya Cooperative Bank was registered in 2004 as the first Bank of its type. In June 2008, it had a paid up capital of Birr 132.9 million out of which 73.51% is owned by 1,303 primary cooperatives. (Ibid, 2009)

Cooperative Federations

As the third level of the cooperative movement, the report of the FCA also shows that the establishment of two cooperative federations is identified and efforts are underway to establish these two federations.

Table 2.3: Nationwide Figures of Cooperatives and Unions in Ethiopia

	Description	Number of Coops and Unions in Different Years		
		2005/06	2007/08	June 2009
1	Registered Primary Cooperatives	19,146	23,167	26,672
2	Primary Agricultural Cooperatives	5,974	6,825	8,747
3	Primary Non-Agricultural Coops	13,172	16,342	10,461
4	Primary Consumer Cooperatives	82	230	1,058
5	Saving and Credit Cooperatives	4,178	5,235	5,845
6	Cooperative Unions	121	162	174
7	Multi-Purpose Unions	91	102	107
8	SACCOS Unions	6	33	38
9	Affiliated Primary Cooperatives	N.A	3,454	3,849

Source: FCA Cooperatives Census Report, 2009 N.A= Not Available (No data)

The total membership size of cooperatives in the country was 3,911,934 with 11% female members in 2005/6. In 2009 it became 5,899,761 out of which 16.46% are females. To summarize, the cooperative census report conducted in 2009 by the FCA indicates the following economic contributions of the cooperative movement:

- The total capital of unions was 156,327,436 Birr in 2008 and improved to 208,909,493 in 2009
- Up to 2008, around 76,956 job opportunities were created by primary cooperatives and 4,623 job opportunities by unions in the country.
- 1,055,044 self-employment opportunities were created by the cooperatives up to 2009
- The total economic benefit of the cooperative movement was estimated to be 542,209,000 in 2008.

2.3.3 Dairy Sector Development in Ethiopia

Ethiopia holds large potential for dairy development. The country currently manages the largest livestock population in Africa, estimated at 29 million cattle, 24 million sheep and goats, 18 million camels, 1 million equines and 53 million poultry. In addition, the country enjoys diverse topographic and climatic conditions. (Ahmed et al, 2004)

Between 1961 and 1974, milk production increased by 16.6% from 637,400 to 743,100 metric tons. On a per capita basis, however, milk production declined during this period at an average rate of 0.87% per annum. Processed milk production has stagnated in the early 1960s but expanded significantly in the second half of 1960s and early 1970s. To bridge the gap between supply and demand, dairy imports increased significantly beginning from 1978.

This was partly due to increased food aid milk powder imports by WFP, and a level of dairy production development that lagged far behind the demand.

During the period between 1977 and 1989, dairy imports as a percent of total consumption increased from 4.1% to 12.8%. (SNV, 2008)

Over the last decade following the political changes in 1993, the dairy sector in Ethiopia has shown considerable progress. Total milk production grew at an estimated rate of 3 percent as compared to 1.8 percent during the period of 1975-1992, thus ending the long-time trend of declining per capita milk production in the country. The progress achieved is mainly due to technological intervention, policy reforms and population growth. The dairy sector in Ethiopia is expected to continue growing over the next one to two decades given the large potential for dairy development in the country, the expected growth in income, increased urbanization, and improved policy environment. (Ahmed et al, 2004)

Post 1991 producer groups such as the Addis Ababa Dairy Producers Association (AADPA) emerged encompassing 90% of all urban dairy producers and a large proportion of peri-urban producers within a radius of 100km of Addis Ababa. In contrast, the share of smallholder production in total consumption increased by 30% from 71% to 97%. (Staal 1995 cited in SNV, 2008)

Generally, total milk production in Ethiopia increased during the 1961-2000 period at an average annual rate of 1.55% though per capita production declined as a result of the high population growth rate. (Ibid, 2008)

2.3.4 The Roles of Dairy Cooperatives in Ethiopia

Gian Nicola Francesconi and Ruerd Ruben (2007), have conducted a research to show the impacts of collective action on smallholders' commercialization by taking evidence from dairy in Ethiopia in general and Ada'a Dairy Coop in particular. The dataset collected from the farmers allowed comparing commercial performance of individual and cooperative dairy farmers, across 2003 and 2006.

The empirical findings obtained with an adapted difference in difference analysis suggest that dairy cooperative farmers outperform the otherwise similar individual producers in terms of quantitative performance (market access, herd size and productivity), but also that cooperatives have an overall negative impact on milk quality (fat and protein content) and safety (bacterial contamination) at the farm gate. (Francesconi and Ruben, 2007)

It is also indicated that between 2003 and 2006, cooperatives showed horizontal expansion (increased number of cooperative members and herds size), but coop-members appeared incapable to either upgrade or intensify their farming systems. Besides, the study tells that a group of retired military officers managed to create new market opportunities for milk and dairy products through cooperation. As a response, neighboring smallholder farmers began to join the cooperative group and invest in high-yielding cross-breed cows. However, the lack of public standards and private incentives to control free-riding behavior among cooperative members resulted in a simultaneous reduction of fat and protein content, and dubious hygienic management of the milk supply. After such an initial impact the cooperative kept expanding, by adding new members and additional cows, but failed in intensifying and upgrading the farming system.

Hailu Adugna (2007) pointed out the roles of cooperatives in local economic development with a specific reference of cooperatives in Ada'a Woreda. He assessed the roles of cooperatives in providing input and output marketing services, capital accumulation, asset building, employment creation, income diversification and linkage roles. For the same purpose he studied 5 different types of cooperatives including dairy. His result shows that the cooperatives are playing encouraging roles in local economic development in general and betterment of life of the members in particular. In a nutshell, the cooperatives are promoting saving culture, providing loan services,

providing agricultural inputs, facilitating technology diffusion, product marketing, building assets for the farmers, creating employment opportunities and income diversification in the areas where they operate.

On the other hand, Mesfin Abebe (2006) conducted a study on some dairy cooperatives in Selale area. He specifically studied The Role of Dairy Cooperatives in Improving the Benefits of Small Holder Farmers in North Shoa Zone of Oromiya regional state by taking three dairy cooperatives. He found that around 48% of the farmers are not members of dairy cooperatives though the cooperatives are providing various services to the farmers. He mentioned milk marketing, facilitating training and facilitating consultations as the basic services provided by the cooperatives. However, he indicated that, the cooperatives are not good at delivering sufficient animal feed, veterinary medicines, artificial insemination and other inputs.

Moreover, according to Mesifn (2006), farmers have got advantages after they become members of the cooperatives. The number of cows they have has increased by 47%, the average milk production has also increased from 8 liters per day to 12 liters and the productivity of the farmers is improved. Besides, he pointed out that the members believe that their management is corrupted.

To summarize, as discussed in this chapter the study mainly deals with the roles of dairy cooperatives in reducing poverty in terms of promoting opportunities, facilitating empowerment, and enhancing security which are proposed by the world bank as the main areas of action in reducing poverty.

Chapter Three

Description of the Study Areas and the Background of the Cooperatives

This chapter has two main parts. The first part deals with description of the study areas. The second one is a section of background of the selected cooperatives.

3.1 Description of the Study Areas

Ada'a Woreda

The first case study area is Ada'a woreda which is located in East Shoa zone of Oromiya regional state, Ethiopia. It has 27 rural kebelles and the city administration of Bishoftu with 9 urban kebelles. Bishoftu town is also the administrative seat of the woreda which is about 47 kilometers far from Addis Ababa in the south east and 53 kilometers far from the city of Adama.

The woreda is bounded by Lume woreda to the east, Gimbichu Woreda to the north, Liben-Chukella Woreda to the south, and Akaki to the west. According to the officials, citing the 2007 survey report, the total population of the woreda is 131,010. Out of this 52.1% are females and 47.9% are male.

Ada'a woreda has two altitudinal zones. The first one is the mountain zone which refers to a place with a height of 2,000m above sea level and constitutes about 9% of the total land area of the woreda. The second is the highland zone which refers a land with a height of 1,800meters - 2,000meters above sea level constituting about 91% of the land area. The woreda has a moderate climate. It is neither hot as the rift valley areas nor cold as highland areas. It has a minimum annual temperature of 12^oc - 11.48^oc, and maximum annual temperature of 28^oc - 26.74^oc, while the average annual temperature is about 20^oc. (Hailu, 2007)

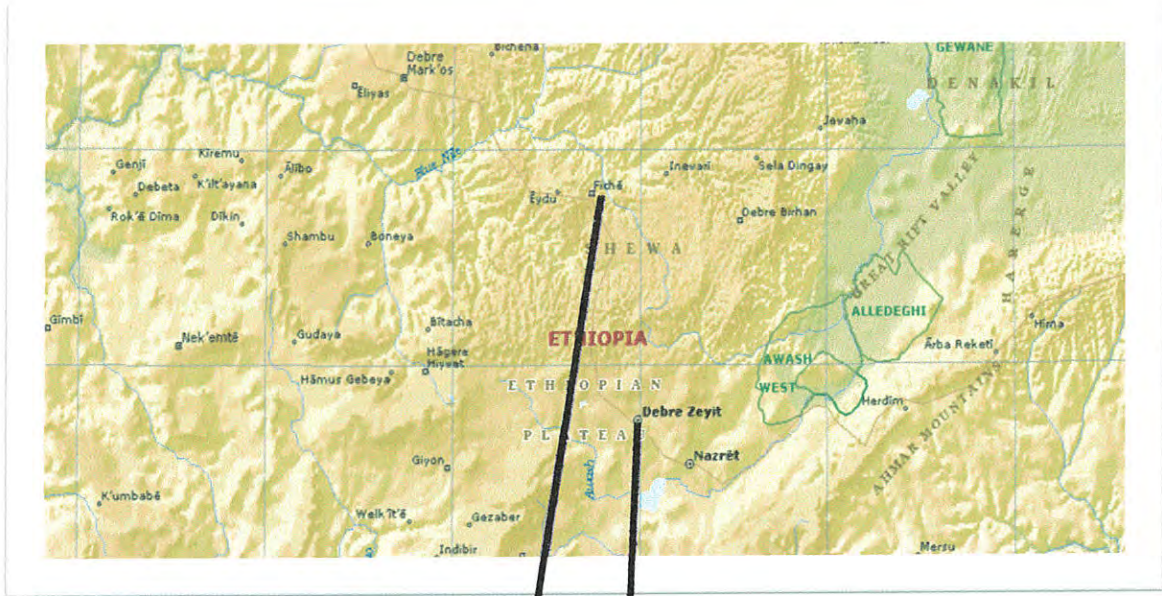
On the other hand, the woreda has a minimum annual rainfall of about 138 mm, while the maximum is about 815mm. it has a winter season from June to mid September, while its summer season runs from the October to May. It has Dega, Weynadega, and Kola climatic zones. It is among the surplus producing areas of the regional state with high potential of producing cereal and legume crops, and livestock and dairy.

The second study area is Selale which is located in North Shoa zone of Oromiya. This zone has an estimated total population of 1,626,487, of whom 806,536 are men and 819,951 are women; 154,075 or 9.5% of its population are urban dwellers. With an estimated area of 11,376.32 square kilometers, North Shoa has an estimated population density of 142.97 people per square kilometer.

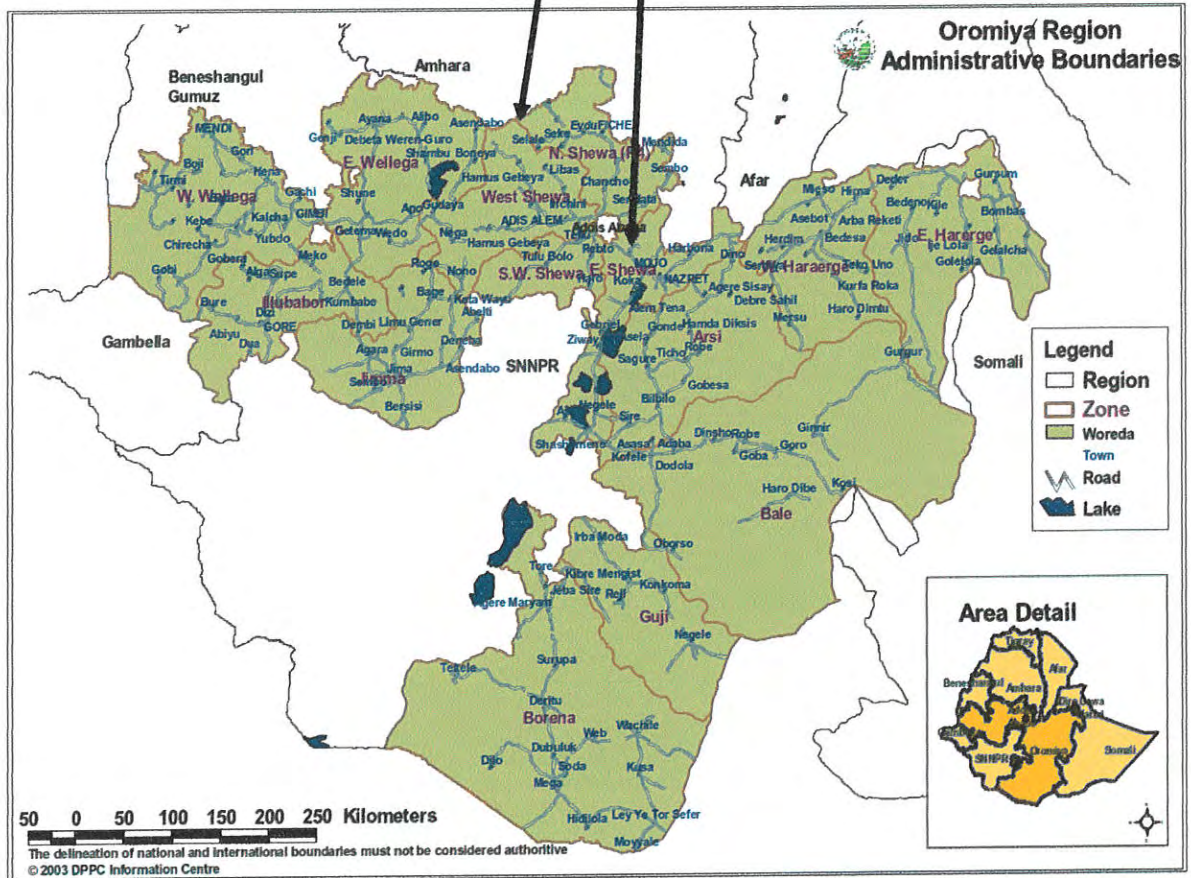
Fiche is the administrative center of the Zone located about three kilometers off the main Addis Ababa-Debre Marqos road. Fiche has a latitude and longitude of 9°48'N 38°44'E/ 9.8°N 38.733°E/ 9.8; 38.733 and an elevation between 2,738 and 2,782 meters above sea level.

The detail map of the areas, Selale and Bishftu (Debre Zeit) is indicated in map 1 followed by the administrative map of Oromiya region. The first map shows the boundaries and detail boundaries of the areas while the second map indicates the location of the study areas in the region and the country.





Map 1: The Location of the Study Areas in Ethiopia Taken from Encarta Premium (2009)



Map 1: Administrative Boundaries of Oromiya Regional State

3.2 Background of the Selected Cooperatives

3.2.1 Ada'a Dairy Cooperative

Ada'a Dairy Cooperative was formed in 1996 with 34 members and initial capital of birr 3,400. Currently the cooperative has total members of 935, out of these only 422 members are active, with a total asset of over 12 million birr. The daily milk production of the members is excess of 8,500 liters per day. The milk processed in own processing plant and marketed to Addis Ababa, Adama, Bishoftu, and Modjo towns. It has milk processing plant, feed processing plant and milk transportation facilities.

The cooperative is located at 47km south-east of Addis Ababa, which is strategic site in terms of raw milk sourcing , processing and marketing of milk and milk products. The vision of the cooperative is to be the leading dairy cooperative in providing quality milk and milk products with competitive price in Ethiopia. Moreover, the mission of the cooperative is enhancing the capacity of members in quality milk production, hygienic milk handling and maintaining high standard of milk to the members.

Organizing 15 milk collecting centers in the city of Bishoftu, the major activities of the cooperative are:

- Milk processing and marketing
- Artificial insemination services
- Animal health care
- Feed supply
- Training on dairy farm management; and
- Male calves fattening program

Hence, the cooperative produces pasteurized milk packed in 250 and 500 ml, butter, and crème. Moreover, it has the potential and plan to start yoghurt production. These products are delivered to supermarkets, private milk processing industries, retailers, sales commission agents, factories, household consumers and NGOs.

Table 3.1: Trend of Membership in Ada'a Dairy Cooperative

	1996	2004	2005	2006	2007	2008
Female	27	341	335	412	402	446
Male	7	309	374	375	437	489
Total	34	650	709	787	839	935

Source: Ada'a Dairy Cooperative Pamphlet, 2009

3.2.2 Selale Dairy Cooperative Union

Selale Dairy Cooperative Union was formed in 1993 with 9 primary cooperatives operate in 5 Weredas including Sululta, Garar Jarso, Wuchale, Debrelibanos and Degem which are very rich in milk production. Before the formation of the primary cooperatives, different farmer groups were formed in this area with the help of Smallholder Dairy Development Project of Finland. This project has been involved in establishing milk collection centers, introducing better cow breeds and delivery training for the farmers. As a result, the production of milk in the areas has risen. However, the farmers were suffering from lack of access to markets. If there is a market, the price for their product was very limited.

Later on, the farmers have decided to form cooperatives and get legal support from different governmental and non-governmental organizations. They succeed in this regard but the problem was not solved. Consequently, the organized primary cooperatives decided to establish further cooperation; the union. At the beginning there were only 9 primary cooperatives capable of forming the union. The total capital of the union was only 39,000 birr and the total membership in all cooperatives was 512 out of which only 40 are women. While starting its operations, it was well supported by the promotion office and other organizations. Currently, the union has 21 primary cooperative members. This is shown in the table below:

Table 3.2: Trend of Membership in Selale Dairy Cooperative Union

Year	Number of Members (Primary Coops)	Total Number of Members (Individual Farmers)		
		Male	Female	Total
2001	9	472	40	512
2002	10	551	62	613
2003	12	635	87	722
2004	14	736	138	874
2005	14	762	139	901
2006	14	762	139	901
2007	18	1,237	137	1,374
2008	19	1,267	157	1,424
2009	20	1,291	159	1,450

Source: Selale Dairy Union Pamphlet (2009) and Interview with the Manager

The function of the union is giving services for the primary cooperatives and the farmers indirectly. The main services delivered by the union are:

- Milk marketing which is mainly collections of milk and delivering to private dairy industries
- Feed delivery
- Veterinary Drugs supply for primary cooperatives which is usually delivered on credit basis
- Credit services for primary cooperative for managerial tasks
- Training delivery with the help of international NGOs

Currently, the total marketing capacity of the union is about 8000 to 10,000 liters of milk per day. This usually varies in fasting seasons up to 3,000-6,000 liters of milk per day. Moreover, according to the management of the union, the main actors in the milk production and marketing process of the union are:

- **Individual Farmers** delivering raw milk to the primary cooperatives on daily supply and biweekly payment basis.
- **Primary Cooperatives** involve in connecting the union and the farmers and collecting milk from the members.
- **Cooperative Promotion Office** which involves in giving technical services including organizing, auditing, legal coverage and others to the primary coops at Wereda level. Moreover, the office at zone level gives different services including facilitating credit from banks for the union.
- **Office of Agriculture** in Wereda level supports the cooperatives and the union by delivering different agricultural services.
- **Office of Livestock** which directly supports the farmers by giving artificial insemination and veterinary services.
- **International NGOs** from different countries which mainly involve in giving training for the farmers in the areas of dairy farming and for the management bodies in different management issues.
- **Private Dairy Industries** are the other actors which directly involve in the process by buying raw milk from the union, process and distribute it. The current dairy industries working with the union are Berta and Family Dairy Industries.
- **Research Institutions** also involve in the process through supporting research activities on the union and delivering training for different bodies from the union.

To recapitulate, as discussed above, both coops have relatively larger size than other similar cooperatives in the country. Considering the role of cooperatives in the economies of different countries, the contributions of Ada'a Dairy Coop and Selale Dairy Coop Union are analyzed in chapter four.

Chapter Four

Findings of the Research

The purpose of this chapter is to demonstrate the major findings of the study. It starts from the general background of the members and continue discussing the roles of the cooperatives in reducing poverty in general and promoting opportunities, facilitating empowerment and enhancing security in particular. For the purpose of clarity in the comparative analysis of Ada'a Dairy Cooperative and Selale Dairy Cooperative Union, each subtopic is organized to show findings of both cooperatives. Lastly, conclusion and recommendations are included.

4.1 Background of the Respondents

4.1.1 Age and Sex of the Respondents

To conduct the research, 220 questionnaires were distributed, 20 members and 4 management members were interviewed, cooperative promoters and experts were taken as key informants, and 5 FGDs were managed. Out of the total expected respondents for the questionnaire, only 64 (68%) in Ada'a Dairy Coop and 100 (80%) in Selale Dairy Coop Union were successful to fill it. In Ada'a Dairy Coop, 26 (40.6%) are male active members and the rest 38 (59.4%) are female. On the other hand, 70 (70%) are male and the remaining are females in Selale Dairy Cooperative Union.

Table 4.1: Age, Sex and Marital Status of Ada'a Dairy Cooperative Respondents

Sex and Marital Status	Age Group and Number of Respondents				
	18-25	26-35	36-50	>50	Total
Male					
Married	2	2	14	5	23 (88%)
Single	-	1	-	-	1 (4%)
Separated	-	1	1	-	2 (8%)
Subtotal	2 (8%)	4 (15%)	15 (58%)	5 (19%)	26 (100%)
Female					
Married	1	7	18	3	29 (76%)
Single	1	1	-	-	2 (5%)
Divorced	-	-	3	-	3 (8%)
Widowed	-	1	1	-	2 (5%)
Separated	-	1	1	-	2 (5%)
Subtotal	2 (5%)	9 (24%)	24 (63%)	3 (8%)	38 (100%)
Total	4 (6%)	13 (20%)	39 (61%)	8 (13%)	64 (100%)

The above table shows that more than 61% of the respondents are in the age group of 36 to 50 years followed by 13% of its preceding age group i.e. 26-35. This implies that 96% of them are above the age of 25 years. Moreover, it is indicated that 88% of male respondents and 76% of females are married.

Table 4.2: Age, Sex and Marital Status of Selale Dairy Coop Union Respondents

Sex and Marital Status	Age Group and Number of Respondents				
	18-25	26-35	36-50	>50	Total
Male					
Married	1	17	37	9	64 (91%)
Divorced	-	-	2	1	3 (4.5%)
Separated	-	-	3	-	3 (4.5%)
Subtotal	1(1.5%)	17(24%)	42(60%)	10(14.5%)	70 (100%)
Female					
Married	5	7	6	4	22 (73.3%)
Single	-	-	1	-	1 (3.3%)
Widowed	-	-	4	-	4 (13%)
Separated	-	-	2	1	3 (10%)
Subtotal	5(17%)	7(23%)	13(43%)	5(17%)	30(100%)
Total	6 (6%)	24(24%)	55(55%)	15(15%)	100(100%)

Similar to that of Ada'a Dairy Coop, the table shows that more than half of the respondents in Selale Dairy Coop Union are in the age group of 36 to 50 years followed by 24% of its preceding age group i.e. 26-35. This implies that including the respondents aged above 50 years, 94% of the total respondents are above the age of 25 years.

To summarize the sex, age and marital status of respondents in both cooperatives, 68 of the total respondents are females, majority of them are married and in the age group of 36-50, and 96 are male with similar age and marital character.

4.1.2 Family Size of Respondents

As shown in the table above, most of the respondents are married and are in the age group 36 to 50. Consequently, the family size is larger in both cooperatives. Considering the magnitude of family size in measuring poverty and poverty related issues, the next tables are employed to show the distribution of respondents.

Out of the total respondents in Ada'a Dairy Cooperative, 55 (90%) are with a family size of 3-6. This is indicated in the following table.

Table 4.3: Family Size of Ada'a Dairy Cooperative Respondents

Sex	Family Size and Number of Respondents							
	3	4	5	6	7	8	10	>10
Male	5	8	2	7	-	1	1	-
Female	11	10	7	5	2	-	1	1
Total	16 (26.2%)	18 (29.5%)	9 (14.8%)	12 (19.7%)	2 (3.3%)	1 (1.6%)	2 (3.3%)	1 (1.6%)

To describe it more, the minimum family size is 3, the maximum is 12. Accordingly, the mean family size of the respondents in Ada'a Dairy Coop is 5. Likewise, in Selale Dairy Coop Union, 83 (84%) are with a family size of 3-6 with an insignificant difference between both sex class. This is visibly pointed out in the following table.

Table 4.4: Family Size of Selale Dairy Cooperative Union Respondents

Sex	Family Size and Number of Respondents									
	2	3	4	5	6	7	8	9	10	>10
Male	-	7	15	21	12	7	2	3	2	-
Female	1	7	6	8	6	-	-	-	-	2
Total	1 (1%)	14 (14%)	21 (21%)	29 (29%)	18 (18%)	7 (7%)	2 (2%)	3 (3%)	2 (2%)	2 (2%)

Once more, the minimum and maximum family sizes are 2 and 12 respectively. Moreover, the mean family size is around 5 (5.2). This shows that there is a similarity between the respondents of both cooperatives.

4.1.3 Educational Background of the Respondents

In Ada'a Dairy Coop the educational level of members extends from grade 1 to first degree. 8 (13%) of them are in grade level of 1-4, 10(16%) are in the next cycle, 16% are in between 9th and 10th grades and the other 28% are in grade 11-12. The remaining 28% are above grade 12 holding 8% certificate, 14% diploma, and 6% first degree. This all is summarized in the following table.

Table 4.5: Educational Background of Ada'a Dairy Cooperative Respondents

Sex	Education Level						
	1-4	5-8	9-10	11-12	Certificate	Diploma	Degree
Male	2	2	3	9	2	5	3
Female	6	8	7	9	3	4	1
Total	8 (13%)	10 (16%)	10 (16%)	18 (28%)	5 (8%)	9 (14%)	4 (6%)

Unlike the above presentation of Ada'a Dairy Coop, the educational level of members in Selale Dairy Coop Union extends from illiteracy stage to diploma. 18% of the respondents are illiterate with a relatively higher ratio of women, 24% are in first cycle, 30% in the next cycle, 18% in between grade 9th and 10th, and 6% are in grade 11-12. Only 4% of members are certificate and diploma holders.

Table 4.6: Educational Background of Selale Dairy Cooperative Union Respondents

Sex	Education Level (Grade)						
	Illiterate	1 - 4	5 - 8	9-10	11-12	Certificate	Diploma
Male	10	14	22	15	5	2	2
Female	8	10	8	3	1	-	-
Total	18 (18%)	24 (24%)	30 (30%)	18 (18%)	6 (6%)	2 (2%)	2 (2%)

To summarize, 29% of Ada'a Dairy Coop and 54% of Selale Dairy Coop Union respondents are in primary school level whereas 18% in Selale Dairy Coop Union are illiterate. Moreover, 44% in Ada'a Dairy Coop and 24% in Selale Dairy Coop Union have completed high school grades. The remaining 28% in Ada'a Dairy Coop and 4% in Selale Dairy Coop Union are holders of certificate and above. However, no one is above diploma in Selale Dairy Coop Union and first degree in Ada'a Dairy Coop. Thus, the educational status of Ada'a Dairy Coop members is better than Selale Dairy Coop Union.

4.2 The Roles of the Cooperatives in Reducing Poverty

4.2.1 Members' Living Condition Before and After Membership Income of the members

The respondents were asked to say 'Yes' or 'No' for the question said "Has your income increased after you joined the cooperative?" Most of them, 56 (87.5%) in Ada'a Dairy Coop and 67(67%) in Selale Dairy Coop Union, said 'Yes'. However, only 36 in Ada'a Dairy Coop and 47 in Selale Dairy Coop Union, (64% and 70% respectively of those who said 'Yes') were interested to tell the exact amount of their increment in income.

Accordingly, the minimum income of the Ada'a Dairy Coop respondents before membership was only 75 and improved to 150 birr after membership whereas the maximum has been improved from 2,000 birr to 6,000 birr. Moreover, the mean income was 482.25 birr before membership and later became 899.61 birr.

Table 4.7: Income of Ada'a Dairy Cooperative Respondents

	Number of Respondents	Monthly Income of Respondents in Birr				
		Range	Min	Max	Mean	Std. Dev.
Before	36	1,925	75	2,000	482	420
After	36	5,850	150	6,000	899	1,118
Change in %		204%	100%	200%	86.5%	166%

Source: own survey

On the other hand, the minimum income of members in Selale Dairy Coop Union was 50 birr before membership and later changed to 100 birr which also indicates 100% improvement. Moreover, the maximum income of members increased from 5,000 birr to 8,000 birr after membership. The average income of members also increased from 690.85 to 1558.51 birr.

Table 4.8: Income of Selale Dairy Cooperative Union Respondents

	Number of Respondents	Monthly Income of Respondents in Birr				
		Range	Min	Max	Mean	Std. Dev.
Before	47	4950	50	5000	690	799
After	47	7900	100	8000	1558	1474
Change in %		60%	100%	60%	126%	84%

Source: own survey

Conversely, it is important to consider the income of members from other activities and the rate of inflation in the country. Some of the members in Ada'a Dairy Coop are retired soldiers and have pension funds. Others also reported that they either own small enterprises or are employed in governmental and private organizations. Unlikely, most of the members in Selale Dairy Coop Union are solely farmers. Most of them live in the rural areas and their main activities are farming; distinctively dairy and producing cereals.

According to the *CIA World Factbook*, the inflation rate in Ethiopia was 4% in 2003 and 18% in the subsequent year. Moreover, the rate was 2.4%, 11.6%, and 13%, and 17.2% from 2005 to 2008 respectively.

Household Meal

It is clear that food is basic need for life. The condition of nutrition used in the household is an indicator of the household's well being. To investigate the contribution of the cooperatives in improving this basic condition, some questions were raised. The results are shown below.

In Ada'a Dairy Cooperative, 56 (87%) members said that their consumption has increased in quality but still they take 3 times a day. The rest 8 (13%), reported that their families take meals more than three times a day after their membership while they were taking only 3 times before membership.

Similar to the Ada'a case, the responses from the members of Selale Union indicate that 94 (94%) of them have an improvement in daily consumption with a meal of 3 times a day. Few respondents reported that the frequency of taking meals in a day increased after they became a member. 4 (4%) said that they were taking twice a day before their membership. But currently they have three times a day. The remaining 2 (2%) reported that their meal has been increased from 3 times a day to more than three times.

Household Expenditure

In addition to the meal of the respondents, analyzing their expenditure is critical to examine the role of the cooperatives in reducing poverty of their members. Table 4.9 shows that out of the total members reported for increment of their household expenditure, 2% were from below 100 to 201-300 birr, another 2% from 101-200 to 201-300 birr and 5% from 201-300 to 401-500 birr. However, it is important to consider that majority of the members (58%) have more than 500 birr expenditure after membership.

Table 4.9: Household Expenditure of Ada'a Dairy Cooperative Respondents

Range of Household Expenditure in Birr		Number of Members
Before Membership	After Membership	
0 - 100 Birr	201 - 300 Birr	1(2%)
101 - 200 Birr	201 - 300 Birr	1(2%)
201 - 300 Birr	301 - 400 Birr	3(5%)
201 - 300 Birr	401 - 500 Birr	2(4%)
301 - 400 Birr	401 - 500 Birr	7(13%)
301 - 400 Birr	501 - 1,000 Birr	4(7%)
401 - 500 Birr	501 - 1,000 Birr	11(20%)
501 - 1,000 Birr	>1,000 Birr	16(29%)
401-500 Birr	301 - 400 Birr	1(2%)

Source: Own survey and computation

Considering the higher increment of above 1,000 birr as minimum of 1,000 birr the total frequency and the descriptive statistics is presented below.

Table 4.10: Descriptive Statistics of Household Expenditure of Ada'a Dairy Cooperative Respondents

Amount in Birr	Frequency		Percent	
	Before	After	Before	After
50.00	1	0	1.6	0
150.00	1	0	1.6	0
250.00	6	3	9.4	4.7
350.00	13	6	20.3	9.4
450.00	16	13	25.0	20.3
750.00	20	19	31.3	29.7
1000.00	7	23	10.9	35.9
Total	64	64	100.0	100.0

Source: Own Survey

It is clearly indicated that the expenditure of the respondents was highly distributed from 350 to 750 before membership while it is increased to 450 to 1,000 birr after membership. Moreover, the cumulative percentage of expenditure up to birr 750 was 89 and later reduced to 64. This indicates that more than 25% members became to the higher level of expenditure i.e. 1000 and more. Furthermore, it is possible to look at the following table to analyze the difference between the descriptive statistics of the expenditure before and after membership.

Table 4.11: Comparison of Household Expenditure before and after Membership of Ada'a Dairy Cooperative Respondents

	Before Membership	After Membership
Minimum	50	250
Maximum	>1,000	>1,000
Mean	553	718
Standard Deviation	247	260

Source: own survey

All descriptive measures, as shown in table 5.11, illustrate that the amount, minimum, maximum, mean, and standard deviation have increased after the membership of the respondents.

Table 4.12: Household Expenditure of Selale Dairy Cooperative Union Respondents

Range of Household Expenditure in Birr		Number of Members
Before Membership	After Membership	
0 - 100	101- 200	1(2%)
101 - 200	301 - 400	1(2%)
101 - 200	501 - 1000	1(2%)
201 - 300	501 - 1000	1(2%)
301 - 400	401 - 500	10(18%)
301 - 400	501 - 1000	1(2%)
401 - 500	501 - 1000	17(31%)
401 - 500	>1000	3(5%)
501 - 1000	>1000	20(36%)

Source: own Survey

The table shows that out of the total members reported for the increment of their household expenditure, 2% are from 0-100 to 101-200 birr, 2% for the next three expenditure categories, 18% from 301-400 to 401-500 birr, and so on. However, it is important to consider that majority of the members (72%) have more than 500 birr expenditure after their membership.

Considering the last alternative to be 1,000 as minimum the frequency and descriptive statistics is presented in table 4.13 and table 4.14.

Table 4.13: Descriptive Statistics of Household Expenditure of Selale Dairy Coop Union Respondents

Amount in Birr	Frequency	
	Before	After
50	1(1%)	-
150	4(4%)	3(3%)
250	9(9%)	8(8%)
350	19(19%)	9(9%)
450	30(30%)	20(20%)
750	32(32%)	32(32%)
1000	5(5%)	28(28%)
Total	100(100%)	100(100%)

Source: own survey

Likewise, it is clearly indicated that the expenditure of the respondents was highly distributed from 350 to 750 before membership while it is increased to 450 to 1,000 after membership. Moreover, it is possible to look at the following table to analyze the difference between the descriptive statistics of the expenditure before and after membership.

Table 4.14: Household Expenditure before and after membership of Selale Dairy Coop Members

	Before Membership	After Membership
Minimum	50	150
Maximum	>1,000	>1,000
Mean	520	666
Standard Deviation	223	272

Source: own survey

Access to Education

Education is the other indicator in analyzing and measuring poverty. To examine if the cooperatives have a role in improving the access to education of their members, a question was raised to the members; “Do you think that you and your family access to educational conveniences have improved subsequent to the membership?” Seventy five (75%) of Selale respondents and 45(70%) of Ada’a respondents said that the access to education is significantly improved. Only few members, 10 (16%) and 14(14%) members of Ada’a Dairy Coop and Selale Dairy Coop Union respectively, reported that they have no response because no one is needy for education at home. Other 9(%) from Ada’a Dairy Coop and 16(16%) respondents from Selale Dairy Coop Union said that the access to education is not improved.

As most of them reflected, the major reason for the improvement of access to education is the improvement of their income as they get a relatively good market for their product. Therefore, it is very essential to have a look at the descriptive nature of the cost of members before and after membership for both cooperatives.

Table 4.15: Members' Cost of Education

		Range	Min Cost in Birr	Max Cost in Birr	Average Cost in Birr
Ada'a Dairy Coop	Before	5,000	0	5,000	802.00
	After	6,920	80	7,000	1,499.64
Selale Dairy Coop Union	Before	8,970	30	9,000	1,163.33
	After	9,950	50	10,000	1,691.81

Source: own survey

Out of those who said "Yes" for the improvement of access to education after their membership, only 22 (49%) in Ada'a Dairy Coop and 69 (92%) have indicated their annual cost of education before and after their registration. Some others could not calculate the cost of education for the whole family and few members were not interested to indicate and few others kept their cost of education before membership and they do not have children currently attending school. However, most of them believe that the access to education has been increased after membership though some respondents get it difficult to know the cost.

As indicated in the table above, the mean annual educational costs for Ada'a Dairy Coop was 802 Birr before and increased to 1,499.64 Birr after membership which shows 87% increment. Whereas, in Selale Dairy Coop Union, the mean cost was 1163.33 Birr before membership and rose to 1691.81 birr after membership. This also shows an increase of 45%.

Accordingly, it is possible to conclude that there is an increment of annual average cost for education in both cooperatives. However, there is a significant difference in the increment between them; 87% in Ada'a Dairy Coop and only 45% in Selale Dairy Coop Union.

Access to Health Services

As another element of the poverty level indicators, access to health services is mandatory to analyze if the cooperatives are creating an opportunity for their members through different efforts. The response of the members indicates that the improvement of access to health services is very low. Only 12% of the respondents in Ada'a Dairy Cooperative reported that the access is improved after membership. The rest 88% are not satisfied with the improvement of health services. However, it should be remarked that some interviewed members proved that saying "stayed the same" does not mean the service is very limited. In some areas of Bishftu city the access has been excellent before and after their membership. Moreover, some believe that access to health has nothing to do with their membership.

Unlike that of Ada'a Dairy Coop, the respondents of Selale Dairy Coop Union reported a significant improvement in the access to health services. Only 28% of the respondents did not recognize the improvement and said 'it is the same'. On the other hand, 72% of respondents reported the improvement of the access to health services.

However, the interview with some members and the results of FGDs indicate that this much improvement in the access to health services was neither directly nor indirectly created by the cooperative efforts. Rather it is because of the expansion of health centers by the government. In the other side, as most of the members are living in rural areas their access to private health centers is very limited. Moreover, the FGDs members said that number of members are suffering from shortage of money to get medical treatment in Addis Ababa which is the nearest large city to the area.

Access to Use Transportation Facility

Operating in different areas where the transportation facilities are different, respondents of both cooperatives reported differently to their access to

transportation facilities. In Ada'a Dairy Coop, where most of the members are living in the city of Bishftu, 31(48%) responded that their access to transportation facility is the same; they are using mainly taxi for transportation. Others (36%) reported that the access has increased from using animals to modern transportation facilities. The remaining 16% do not responded to the question.

In contrast, in Selale Dairy Coop Union, where majority of the members are living in rural areas of the zone, 94% reported that they come to the towns where the milk collection centers are located on foot and some of them using animals. Moreover, they usually use public bus to come to Addis Ababa and other nearby towns. Only 2% have got an improvement on the transportation facilities.

The summary of the improvement of access to transportation is presented below:

Table 4.16: Improvement on the Access to Transportation Facilities after Membership

Access to Transportation Facilities after Membership	Number of Respondents	
	Ada'a Dairy Coop	Selale Dairy Coop Union
Stayed the Same	31(48%)	94 (94%)
Improved	23(36%)	2 (2%)
No Response	10(16%)	4 (4%)
Total	64(100%)	100 (100%)

Source: own survey

The reasons for the differences in number of responses in both cooperatives are the location of the areas where these cooperatives operate. The results of the FGDs indicate that the cooperatives have nothing to do with the direct improvement of transportation services to the members. They cannot fulfill the basic transportation services for milk collection and distribution. However, as the income of the members is increasing from time to time members have now a better stance to get a better transportation services.

Improvements in the Asset Ownership of the Farmers

In addition to the access to education, health and transportation facilities, access to own different types of assets may also indicate the economic stance and improvement of members. The number of respondents who reported for the ownership of different assets and business entities after their membership is presented in the table below.



Table 4.17: Assets/Capital Owned by the Members after Membership

	Types of Assets/Capital	Number of Respondents	
		Ada'a Dairy Coop	Selale Dairy Coop Union
1.	House	8(12.5%)	1(1%)
2.	Land (Partially constructed houses)	4(6%)	2(2%)
3.	Refrigerator	28(44%)	6(6%)
4.	TV	18(28%)	7(7%)
5.	Car	2(28%)	-
6.	Other transportation facilities	5(8%)	-
7.	Mobile Phones	10(16%)	22(22%)
8.	Satellite Receiver	12(19%)	8(8%)
9.	Own business such as shop, cafeteria, and dairy farm	8(12.5%)	9(9%)
10.	More number of cows than before	32(32%)	24(37.5%)

Source: Own Survey

However, the change in the number of cows owned by the farmers is relatively higher than other assets. In Selale Dairy Coop Union, 57% of the respondents have the same number of cows after their membership. But other 11% have less number of cows than before mainly because of replacement by breed once. Similarly, 50% of Ada'a Dairy Coop respondents have the same number of cows after membership while 37.5% reported for the rise of their number of cows. Nonetheless, it is intricate to know the average number of cows a farmer owns since most of the farmers were not open to notify the exact number of their cows.

Case 1: Ato Dereje Gemechu

Ato Dereje Gemechu is a member of Gorro Haro Primary Dairy Cooperative which is a member of Selale Dairy Coop Union. He is 36 years old having three children. He joined the cooperative six years ago. He said, "Six years ago I had nothing even a chicken. My monthly income was very minimal; only 200-300 birr per month. Once upon a time one member of the cooperative come to me and asked me to join the cooperative. He explained me that their cooperative is in danger and they need to adjoin some members. I was not sure if I am capable of joining the cooperative but he told me that the cooperative will give me a cow if I joined. I agreed and gone with him for the first general meeting in which I was elected as a member of the board".

After he joined the cooperative, he was delivering milk to the cooperative by buying from others. After doing this for a year he bought a cow and started to produce 16 liters of milk per day. Few months later he bought another one for 7,000 birr. Now he supplies 30-40 liters of milk a day and his life continued to change. Currently, he has a beautify house, a large dairy farming area with 7 cows, and milling machine in Gorfo town. He was very poor getting less than 300 birr per month and now he is an investor.

He is very cheerful for the future. Currently he and his wife are managing their own big business. Besides, he is servicing as a president of the dairy cooperative. He is very committed for it. In the near future he is planning to expand his dairy farming and establish poultry farm around his house. He advises the other join cooperatives and manager their dairy farming through it. He believes that cooperation is always advantageous for milk production and marketing.

Source: Interview

Moreover, the responses indicates that majority of the members in Ada'a own many additional assets before and after their membership. For example 21 out of 26 female respondents and 32 out of 38 male respondents have their own houses in and around Bishftu town. On the other hand, all the members of Selale Union own houses in different places

of the zone except 3 female respondents. This is because the location is relatively rural and having a house is simpler than Ada'a Dairy Coop.

The Subjective Poverty Level of the Farmers

One of the measurements of poverty is public opinion and social consensus. The considerable problems which arise from reliance on expert judgment in the definition and implementation of poverty measures has led to a number of efforts to find a broader basis for support for the components of a poverty line. This approach, which usually used to know subjective poverty line, seeks to define and measure the extent of poverty by reference to the views of the general public rather than the judgment of a group of experts.

Accordingly, a question was forwarded for the members to evaluate themselves and say what they believe they are before and after their membership.

Table 4.18: Subjective Poverty Measures of Respondents

	Ada'a Dairy Cooperative		Selale Dairy Coop Union	
	Before	After	Before	After
Very Rich	-	-	-	2(2%)
Rich	-	3(7%)	4(4%)	20(20%)
Average	41(75%)	44(77%)	60(60%)	69(69%)
Poor	10(18%)	6(14%)	30(30%)	7(7%)
Very Poor	-	-	4(4%)	-
No Response	3(7%)	1(2%)	2(2%)	2(2%)

Source: own survey

In Ada'a Dairy Coop, majority of the members believe that they are neither poor nor rich; they just said they are in average level of poverty. Before the membership 41 (77%) farmers believed to be average, 10 (19%) poor, and 2(4%) others did not respond. However, after the cooperative membership

those in the average have increased from 41 (77%) to 44(83%), 3 people believed they are now rich, and the number of poor people reduced to 6 (11%) from 10(19%). These all figures indicate that there is a difference in the before and after situation of subjective poverty.

Likewise, the number of average people is dominant in Selale Dairy Coop Union; 60(60%) before membership and 69(69%) after membership reported to be average whereas the number of poor people became 7 (7%) from 30 (30%). There were only 4(4%) respondents recognizing themselves as rich but this number is raised to 20(20%) after the membership. Therefore, there is a difference in the level of subjective poverty before and after the membership.

Case 2: Ato Alemu Worku

Ato Alemu Worku Desta is a member of Lelistu primary dairy cooperative which is a member of Selale Dairy Coop Union. He is 35 years old. He has 6 children. He joined the cooperative three years ago. He attended a school up to 9th grade. He was owner of 4 cows three years ago producing 10 liters of milk a day. He was delivering the milk to Mama and Shola private dairy industries at less than 2 birr per liter.

He said, "Three years before I was hiding myself while people look at me. Poverty was very shameful for me. Moreover, I was not confident on my commitment of producing milk to be self sufficient. I am very profitable now. I have 9 cows, and I get at least one thousand birr per month as net profit. Moreover, I will get dividend at the end of the year. I know if could not joined this cooperative I might get only 200 birr per month. I am very lucky! I feel I am rich now"

Within three years of his membership in the cooperative, he constructed a house in his area. His house is now with TV, radio, and other technological products. Currently, he is planning to develop his own modern dairy farm and be a model farmer in his birth place. He is saving money in the bank for the same purpose.

He advises others to follow him. He doesn't appreciate dependency on the government and NGOs. Explaining his basic problems he said, "I feel sad when I consider that the price of 1 litter of mineral water is 7-10 birr whereas the price of 1 litter is 4-5 birr".

Source: Interview

Production Capacity of the Members

In Ada'a Dairy Coop the total production capacity of the members was around 542 liters of milk per day before their membership with a mean of 11.06 liters and standard deviation of 6.28 liters. Latter the daily production has been improved to 1,007 liters a day which implies an increment of 86% within few years. This increment is mainly because of the improved awareness towards milk marketing and replacement of the local (domestic) cows with breed once. Moreover, members in the FGDs said that the chances of taking training in dairy farming, mainly quality control and feeding, have contributed a lot for the increment of milk production. In addition, they reported that the number of cows has a slight impact on the milk production because the average number of cows has increased only for 24 members in Ada'a Dairy Coop.

Table 4.19: Production Capacity of Ada'a Dairy Cooperative Respondents

	Number of Respondents	Production of Milk in Litters Per Day				
		Total	Min	Max	Mean	Std. Dev.
Before	49	542	.00	40.00	11.06	6.28
After	49	1007	10.00	50.00	20.55	9.83

Source: own survey

Likewise, the total daily production milk in Selale Dairy Coop Union for all respondents was 859 liters and later increased to 1,323 liters a day. This proves that the increment is around 54%. The members responded that such increment was because of the positive attitude towards milk marketing, vast training by NGOs on feeding and related issues and the introduction of better cow breeds by NGOs under different projects. In such situation, many members reported for the reduction on the number of cows they own after the membership mainly because of the replacement of productive non-domestic once.

Table 4.20: Production Capacity of Selale Dairy Union Respondents

	Number of Respondents	Production of Milk in Litters Per Day				
		Total	Min	Max	Mean	Std. Dev.
Before	77	859	2.00	35.00	11.1558	7.31628
After	77	1,323	7.00	50.00	17.1818	7.75060

Source: own survey

To compare both situations, the mean increment of milk production is better in Ada'a Dairy Coop though the standard deviation is higher than Selale Dairy Coop Union. Moreover, the total increment of milk production is also better in Ada'a Dairy Coop which is 87%, whereas the maximum production in both cooperatives at both conditions is almost similar.

4.2.2 Opportunity Promoting Capacity of the Cooperatives

Economies of Scale for Farmers

One of the vital advantages of cooperatives and any type of collective action is economies of scale. Collected products of the members have better value than small production of individuals. Consequently, the response for the question of this issue is shown below.

Table 4.21: Responses to the Economies of Scale Creation Capacity of the Coops

Coop	Responses		
	Yes	No	Total
Ada'a Dairy Coop	59 (92%)	5(8%)	64(100%)
Selale Dairy Coop Union	57 (57%)	43(43%)	100(100%)

Source: own survey

Though majority of respondents in both cooperatives believe that their products' values have increased, there is a significant difference between the percentages of the cooperatives. Around 57% in Selale Dairy Coop Union

and around 92% in Ada'a Dairy Coop said 'Yes, it has created'. The reasons for the creation of economies of scale for farmers are listed below;

- Elimination of middlemen and private investors
- Collective action on marketing activities
- Better markets
- Better price than before
- Forced saving for 15 days
- Feed provision at fair prices
- Motivation to produce more
- Attitudinal change on milk marketing
- Improvement on milking skills
- Collection of milk products centrally at convenient time
- Relatively higher demand

Similarly, the bargaining power of members has implied a significant change in both cooperatives. Eighty four percent of the respondents of Ada'a Dairy Coop and 64% of Selale Dairy Coop Union believe that their bargaining power has increased after their membership whereas the rest, 16% in Ada'a Dairy Coop and 36%, reported that there is no change in their bargaining power after their membership. Moreover, the overall opportunities created by the cooperatives to the members were asked and reported as follows:

Table 4.22: Opportunities Created by the Coops

Types of Economic Opportunities	Number of Respondents	
	Ada'a Dairy Coop	Selale Dairy Coop Union
Better prices for products	16(25%)	48(48%)
Enough provision of basic inputs	-	2(2%)
Better access to attractive markets	24(37.5%)	38(38%)
Both better prices and attractive markets	13(20%)	7(7%)

Source: Own Survey

In addition to the economies of scale created by the cooperatives, majority of the members reported that they get an opportunity of both better accesses to attractive markets and relatively good prices for milk after their membership. However, they do not accept the current opportunity as enough and fair. Unlikely, 11 (17%) in Ada'a and 5 (5%) in Selale Dairy Coop Union believe that no economic opportunity has been created for them.

Better Price for Products

To demonstrate the feasibility of the price of milk on the view of members, they were asked to express their felling towards the fairness of the cooperative/union price for milk per liter. Thirty (47%) respondents from Ada'a Dairy Coop and 17(17%) from Selale Dairy Coop Union said that they are getting a fair price. Others reported a negative answer. The summary prices for both cooperatives in comparison to the accessible price to the members in their local non-cooperative markets are shown in the following tables.

Table 4.23: Comparative Price of Milk in the Market and Ada'a Dairy Cooperative

Market Price for Members in Birr/Litter	Union Price of Milk Per Litter	Frequency	Percentage
4.00	5.00	10	15.6
5.00	5.00	8	12.5
6.00	5.00	30	46.9
7.00	5.00	11	17.2
8.00	5.00	5	7.8

Source: Own Survey

As the members are living in vast areas in both cases their access to markets at different prices vary. Accordingly, only 15.6% of the Ada'a Dairy

Coop respondents are currently getting 1 birr additional per liter from the cooperative. The next 12.5% are getting the same price as the market. However, majority of the respondents (64.1%) are getting significantly lower price than the market.

Table 4.24: Comparative Price of Milk in the Market and Selale Dairy Coop Union

Market Price for Members in Birr/Litter	Union Price of Milk Per Litter	Frequency	Percentage
2.40	4.50	3	3
2.50	4.50	5	5
3.00	4.50	12	12
4.00	4.50	5	5
4.50	4.50	68	68
6.50	4.50	4	4
7.00	4.50	3	3

Source: Own Survey

Likewise, 25% of the respondents in Selale Dairy Coop Union get a better price from the union, 68% get the same price as their own accessible markets, and the rest 7% are getting significantly lower price. Surprisingly, the price of milk in Ada'a Dairy Coop is not significantly different from Selale Dairy Coop Union though Ada'a Dairy Coop is partially processing the milk. The price difference is only 50 cents per liter which is mainly created because of the market prices in both areas. Most of the members are supplying to the cooperative at lower price than the market.

According to the discussions in the FGDs and interviews of both cooperatives, the reasons behind the selling of their products at lower price

than the market prices are; first they expect a dividend at the end of the year according to their contributions (supply of milk to the cooperative/union), second, they get a sustainable market for the milk as the prices of the cooperatives are usually fixed, thirdly, they get additional services from the cooperatives, and lastly it is a duty to supply milk to the coop as a member. Therefore, as they expect more in the future from their cooperatives, they prefer to supply milk. However, many members supply limited amount of milk to the cooperatives and sell the rest in other places individually.

Saving and Credit Services

Finance is an engine of any type of business. It is important to initiate or expand a business entity. Similarly it is important for farmers. They need financial services for the overall development of their farming. They reported in the FGDs that finance is important for them to buy feed, better breeds of cows, milking equipments, and other inputs. However, the access to saving and credit services in both areas is very limited and they are suffering from lack of capital to expand their business and own modern dairy farms.

No saving and credit services at all for members in both cooperatives except some primary cooperatives at Selale Dairy Coop Union in which they give inputs for credit to be paid in raw milks.

Input Provision

Farmers need many types of inputs for their dairy farming such as feed, milking equipment and simple machineries. Dealing mainly with the supply of feed and animal medicines, members were asked to indicate who their suppliers are. The results are presented below.

Table 4.25: Sources of Inputs for the Farmers

Sources of inputs	Number of Respondents	
	Ada'a Dairy Coop	Selale Dairy Coop Union
Individual private retailers	15(28%)	31(32%)
Government agencies	3(6%)	-
The Cooperative/union	3(6%)	7(7%)
Two or more sources	32(60%)	60(61%)

Source: own survey

As shown in the table above, majority of the members are getting inputs from two or more sources which mainly include the cooperative and private retailers. The overall distribution of the answer shows that members are getting inputs from the market. The role of the cooperatives in supplying basic inputs is verily limited. The managers in both cooperatives responded this limitation by describing the shortage of finance, risky taking, difficulty to get inputs in the market and lack of technical capabilities as main reasons.

Responding to the questions of their feeling to the experiences services of the cooperatives in providing inputs for them, 54% respondents of Ada'a Dairy Coop are satisfied and 46% unsatisfied. In the other side, 65% respondents of the union are satisfied whereas 35% are not.

Access to Better Markets

One of the basic issues in promoting the economic condition of members by cooperatives in any business is creating a good opportunity for better markets through which members will get a fair price for their products, increase their income and reduce their basic economic problems. Cooperatives eliminate middlemen and other exploitations of the members. In such a way they save their members from unfair market situations.

Likewise, most of the members in both cooperatives were selling their milk to the following bodies at unreasonable price in unsecured way before their membership:

- Private investors such as *Mama, Shola* and other dairy industries
- Cafeterias and Hotels
- Individuals on contract based
- House to house distribution at the price determined by the buyers

Currently, most of them are selling to their cooperative/union. However, some members are also selling to the above mentioned bodies as the cooperatives are not capable of receiving all their products. On the other hand, some members are also delivering raw milk to hotels and individuals at better price than the cooperatives.

Table 4.26: Opinion of the Respondents on Better Market Access Created by the Coops

Opinions	Number of Respondents	
	Ada'a Dairy Coop	Selale Dairy Coop Union
Yes, the coop created an access to markets	49 (77%)	91(91%)
<i>The access can also be created individually</i>	10(20%)	42(46%)
<i>The access cannot be created individually</i>	39(80%)	49(54%)
No, the coop did not create access to markets	15(23%)	9(9%)

Source: Own Survey

Generally, most of the members with slightly high percentage in Selale Dairy Coop Union believe that their cooperatives have created more accesses to markets than before. However, out of those who said yes for the first question, 80% in Ada'a Dairy Coop and 49% in Selale Dairy Coop Union feel that it is possible to get another means to meet these accesses. Members in Selale Dairy Coop Union believe that the operations of the

union are simple and can be done by other means as it is only collecting milk from its members and delivering to private milk industries.

4.2.3 Empowerment Facilitating Roles of the Cooperatives

Active Participation

According to the ICA, co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. Moreover, the third principle of cooperatives indicates about members' economic participation. Members contribute equitably to the capital of their co-operative. At least part of that capital is usually the common property of the co-operative.

Accordingly, the active participation of members in their cooperatives was searched. The areas in which members are actively involving in the cooperative business are shown below:

Table 4.27: Areas of Members' Participation

Involvement Areas of Members in the Cooperatives' Operations	Number of Respondents	
	Ada'a Dairy Coop	Selale Dairy Coop Union
Providing milk	64 (100%)	100(100%)
Attracting new members	7(11%)	7(7%)
Providing finance	64(100%)	100(100%)
Participating in processing activities	23(36%)	-
Participating in decision making activities	3(5%)	4(4%)
Giving market and milk quality information	3(5%)	4(4%)

Source: own survey

All the members included in the survey are active who are providing milk to the cooperatives at different rates, and paid share capital at the beginning. However, the participation of members in other critical areas such as in decision making is very limited in both cooperatives. The few members involving in the decision making are because of their membership in the board or any other committee. Besides, the relationship between the members and their cooperatives is depicted below:

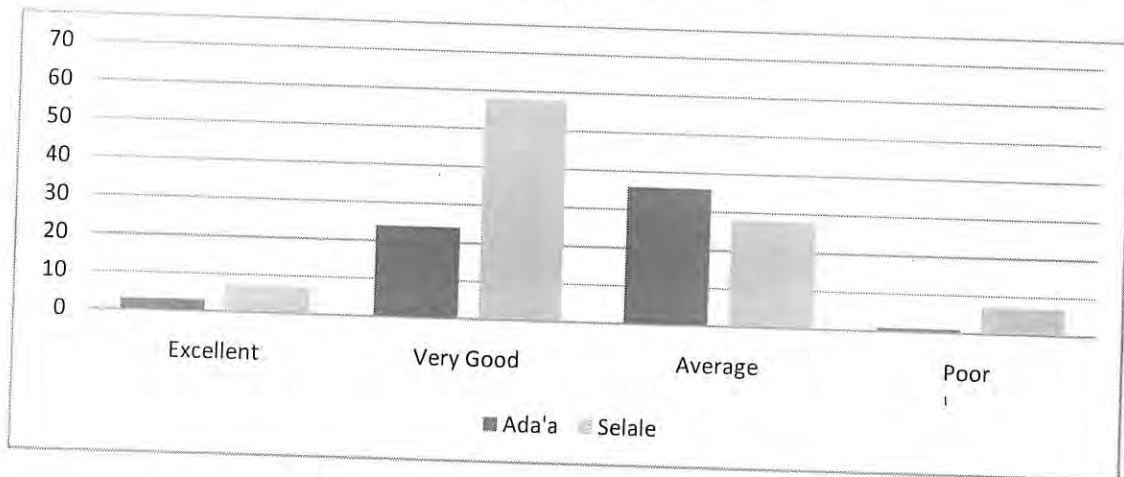


Figure 4.1: Relationship between the Coops and their Members

In Ada'a Dairy Cooperative, only 45% of the members are described as 'active members' by the management. The reasons given by the management are their failure to pay the share capital and supplying milk continuously to the cooperative. However, some "inactive" members said that they are ignored by the management because of unqualified and corrupted management. Moreover, they reported that the cooperative was very weak to continuously accept their milk and processing it. Some others also faced economic crisis and death of their cows which forced them to be inactive.

However, the Cooperative Proclamation number 147/91 of Ethiopia, states that a member is one who paid the registration fee and share capital and

who is capable of delivering his/her product to the cooperative with an interest to respect the rules and regulations of the cooperative.

Moreover, the members' response to the openness of the cooperatives for the participation of members is indicated below:

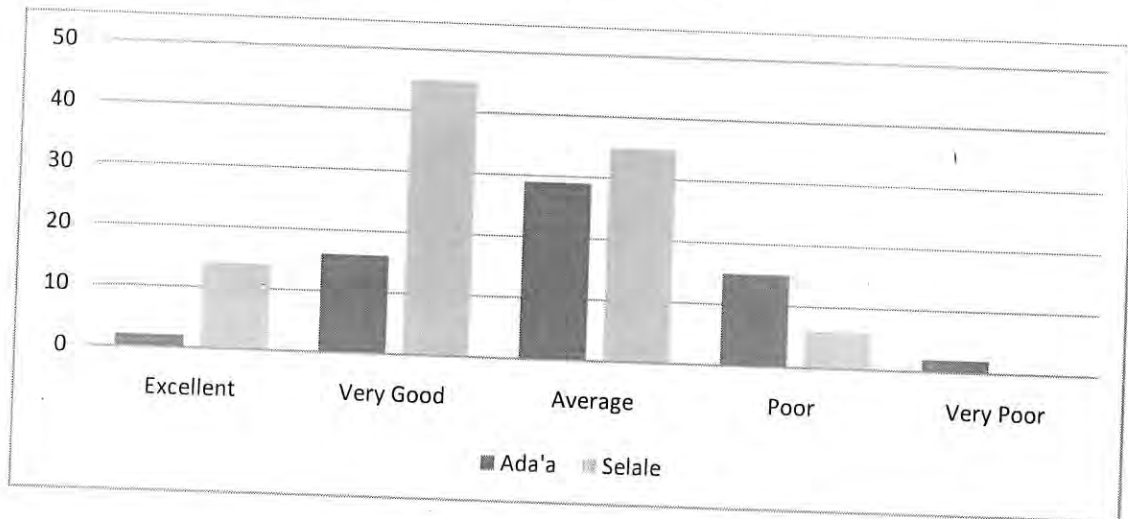


Figure 4.2: Openness of the Coops for their Members

The responses in both sides do not indicate that members are actively participating in the operations of the cooperatives. They stated that the management of the cooperatives are not that much open and participatory in nature. 45% of respondents from the union said it is very good whereas 55% from Ada'a said it is average.

On the other hand, the management criticizes the members for their lower participation in delivering milk, decision making, and other mandatory activities. According to the report of the management, members are very ambitious without fulfilling their responsibilities.

Decision Making

The second principle of coops, according to ICA, is *Democratic Member Control*. Co-operatives are democratic organizations controlled by their members who actively participate in setting their policies and making

decisions. Men and women serving as elected representatives are accountable to the members. In primary co-operatives, members have equal voting rights (one member - one vote) and co-ops at other levels are also organized in a democratic manner.

To prove this character of cooperatives, the respondents were asked to identify who the owner of the cooperative is. As a result, most of them in both sides said they are the owners of the cooperatives. Only few said the government, the board and public are the owners. Moreover, almost all participate in the meetings and elections of the cooperatives. However, members of the FGDs in Ada'a Dairy Coop reported that the agendas raised in the meetings are not satisfactory and the election system is highly corrupted.

Table 4.28: Elections and the Participation of Members

Responses of the Members	Number of Respondents	
	Ada'a Dairy Coop	Selale Dairy Union
The elections are democratic	56 (87.5%)	86(86%)
The elections are not democratic	8(12.5%)	14(14%)
I learned the nature of democratic election from the coop	51(80%)	87(87%)
I didn't learned the nature of democratic election from the coop	13(20%)	13(13%)

Source: own survey

The figures above indicate that the cooperative members are actively participating in election which is said to be democratic. Though the respondents in Ada'a Dairy Coop recognized it as democratic, the members of FGDs and all interviews called it corrupted and undemocratic. In fact, there are shocking issues in the management of the cooperative since the

last few years. Relatively, in Selale Dairy Coop Union members reported that they have a right to elect and be elected on time.

Cooperatives are verily democratic and are expected to teach their members the elements of democracy which can be practiced in the public elections and the overall life of a society. However, both cooperatives are not working that much even enabling their members to practice it in their own organization.

4.2.4 Security Enhancement Roles of the Cooperatives

Collective Risks

Farmers have different types of risks. The types of risks in dairy industry are similar but critical for the life of the farmers. The major risks of the farmers in both areas are listed in table 4.29:

Table 4.29: Risky Elements of the Cooperative Dairy Farming

Risky Elements of the Farmers	Number of Respondents	
	Ada'a Dairy Coop	Selale Dairy Coop Union
Limited access to markets	38 (59%)	75(75%)
Low quality milk	10 (16%)	19(19%)
Low price for products	9(14%)	21(21%)
Perishable nature of the milk	20 (31%)	47(47%)
Dominance of middlemen	-	4(4%)
Shortage of basic inputs	1(1.6%)	5(5%)
Animal disease	25(39%)	36(36%)

Source: own survey

Respondents mentioned that limited access to markets, perishable nature of the milk, and animal diseases as the major risky elements in both areas.

As one of the major objectives of the study, the roles of the cooperatives in reducing these risks were asked. The results are shown below.

Table 4.30: Risky Elements of the Dairy Farming Targeted by the Coops

Risky Elements of the Farmers Reduced after Membership	Number of Respondents	
	Ada'a Dairy Coop	Selale Dairy Coop Union
Limited access to markets	30 (47%)	54(54%)
Low quality milk	10(16%)	19(19%)
Low price for products	8(12%)	2(2%)
Perishable nature of the milk	14(22%)	18(18%)
Shortage of basic inputs	1(1.6)	-
Animal disease	17(27%)	10(10%)

Source: own survey

Accordingly, the farmers believe that the major risks mentioned above are significantly reduced after their membership. However, it is impossible to say the overall risks are reduced. The perishable nature of milk, for example is a risky condition, for the farmers of Selale Dairy Coop Union. They do not have any access to sell their products in the local markets after supplying the required amount of milk to the cooperative union. Then after, if they decide to come to urban areas, including Addis Ababa, the milk may be spoiled after hours of ups and downs for searching customers.

Facing different risks, members may prefer and/or forced to prefer ways of recovering or minimizing risks. Most of the respondents stated that individual efforts such as selling a cow to treat another sick cow was the method of recovering from risky conditions fallowed by family or relatives' support. The overall response of members is indicated in the table below.

Table 4.31: Farmers' Means of Recovering Risky Conditions

Means of Minimizing or Recovering from Risky Elements of the Farmers	Number of Respondents	
	Ada'a Dairy Coop	Selale Dairy Coop Union
Individual efforts	53(82.8%)	78(78%)
Family/relatives support	9(14%)	18(18%)
Governmental supports	1(1.6%)	4(4%)
No way to recover; just losing	1(1.6%)	-
Total	64 (100%	100 (100%)

Source: Own Survey

Now the question is about the current role of the cooperatives in enabling the members feel more secured than before regarding these risks. However, the result is reversed. Majority of respondents in both cooperatives do not feel secured though they are in better feeling than before their membership. Majority of the respondents do not believe that the cooperatives have a role in reducing risky elements of the dairy farming in the time being. 57 (89%) in Ada'a and 90 (90%) in Selale do not believe that the cooperatives currently have a role to reduce risks. Besides, the members do not have any insurance and do not have any support from the cooperatives if they face any personal health problems.

In contrast, the management responded that it is difficult to reduce the risky elements of the farmers because of financial limitations and lack of qualified human power. However, there are initiatives in both cooperatives to reduce risks such as perishable nature of milk, unsustainable market, low quality of milk and animal diseases.

Conflict Reduction and Management

The other area of role for the cooperatives to play is reducing conflict and conflicting issues in the community in general and the coop in particular. The cooperatives should reduce conflict and manage it if once occurred.

It is also reported by the members that sometimes farm related conflicts take place. Around 9% in Ada'a Dairy Coop and 3% in Selale Dairy Coop Union have reported for the same. The reasons in both cooperatives are similar. They responded that bad smell of the dairy area to neighbors, boundaries of grazing land, and sanitation are the main reasons. In relation to this issue the role of the cooperatives was asked to the members as a whole. They evaluated the role of the cooperatives in reducing conflicts and conflicting issues of its members as follows:

Table 4.32: Conflict Reduction Role of the Coops

	Responses		
	Yes	No	Total
Ada'a Dairy Coop	4 (7%)	60 (93%)	64 (100%)
Selale Dairy Coop Union	1(1%)	99(99%)	100(100%)

Source: Own Survey

Most of them said that the cooperatives are not playing any role to reduce conflicts of their respective members. On the side of the management, there is no awareness of providing such services for its members. They believe that conflicts are created by the members' personal reasons and have to be solved individually. Moreover, members do not recognize the cooperative as powerful to reduce conflicts. Consequently, they do not report to the cooperative if any conflict happened.

However, the cooperatives try to solve some problems which arise in the cooperatives among the members because of business and business related issues.

4.3 Gender Issues in the Cooperatives

Poverty is all rounded and it affects all parts of the community. As a result any study which deals with poverty should also analyze the gender balance and other gender issues. Accordingly, the membership size of women farmers, their production capacity and income, and their involvement in decision making are mainly analyzed.

The Membership Size of Women Farmers

Women are active members of Ada'a Dairy Cooperative. From the beginning there were 27 (79%) women members actively participating in the formation of the cooperative in 1996. Later one their number increased to 341 (52%) in 2004. Currently, out of the total members 446 (48%) are women. Moreover, 54% of the active members who are working with the cooperative are women.

On the other hand, there were only 40 (8%) women members in the establishment of Selale Dairy Cooperative Union in 2001. Their number has slowly increased and became 159 (11%) in 2009. Moreover, the figure collected from the union indicates that most of these women are registered in few primary cooperatives. There is only one primary coop formed by 37 women.

Production and Income of Women Members

In Ada'a Dairy Cooperative women farmers have direct participation in the cooperative. They produce milk and get income from the cooperative in biweekly basis. Unlikely, in Selale Dairy Cooperative Union the registered women farmers are few in number but they are the producers and suppliers

of milk to the union. The management members reported that more than 90% of the milk is produced at home by women farmers and supplied to the cooperative by women. However, the dividend is paid to their husbands as the women are not directly registered.

This shows that the duty of production is over the shoulder of the women farmers and the income is for their husbands. Moreover, the trainings on different farming aspects are given to the men and decisions are made by the men while the women are producing and supplying.

Women in Management Positions

The decisions making role of the women farmers in both cooperatives is very limited. According to the FGDs, the involvement of women farmers in committees including the board is very limited and not proportional with their total membership in the cooperatives. In Ada'a Dairy Cooperative, for example, they are the majority in the active membership but they are represented only by one woman in the board which consist seven members. Similarly, in Selale Dairy Cooperative Union their participation is not significant. The women respondents reported that it is hard to find women participating in the committees since the establishment of the union.

Moreover, the participation of women farmers in general meetings and elections is limited. The women respondents said that they do not actively involved in such occasions because of different family assignments.

On the other hand, most of the women farmers believe that the care of the cooperatives for women farmers is not enough. Moreover, the survey and FGD results indicate that the member women are in a better condition than non-member women because the economic situations of the member women are relatively improved after membership.

4.4 Management of the Cooperatives

4.4.1 Overall Management

Lionel Williamson argues that cooperative failures are probably no more numerous than failures in other businesses. However, listing the causes of co-op failures will almost always include cheaply priced management, which is the most expensive item in cooperatives. High-priced management is usually the least expensive.

Cooperatives working for the overall socio economic change of their members need a strong management. Considering this point the members of both cooperatives have reported the following points to be the basic strengths of the management:

- Consistent daily collection of milk
- Providing training for its members mainly on quality dairy management
- Providing animal health services mainly vaccination

In the other side, the weaknesses of the cooperative management in changing the socio economic status of its members are described as follows:

Table 4.33: Weaknesses of the Cooperative Management

Ada'a Dairy Coop	Selale Dairy Coop Union
<ul style="list-style-type: none"> • Closed approach management 	<ul style="list-style-type: none"> • Limited market opportunity and limited capacity to collect milk
<ul style="list-style-type: none"> • Lack of commitment 	<ul style="list-style-type: none"> • Dependency on private dairy industries
<ul style="list-style-type: none"> • Fluctuation in milk collection 	<ul style="list-style-type: none"> • Failure to provide inputs on time
<ul style="list-style-type: none"> • Limited capacity for providing animal feed 	<ul style="list-style-type: none"> • Lower price for milk
<ul style="list-style-type: none"> • Verily unfair selection of trainees 	<ul style="list-style-type: none"> • Lack of animal vaccination services
<ul style="list-style-type: none"> • Under utilization of resources mainly the milk processing factory 	<ul style="list-style-type: none"> • Inability to provide better cow breeds
<ul style="list-style-type: none"> • Undemocratic management 	<ul style="list-style-type: none"> • Limited problem solving capacity
<ul style="list-style-type: none"> • Corruption 	

Source: Own Survey

In evaluating the overall performance of their cooperative management, more than 67% of the respondents from Ada'a Dairy Coop described the management as weak and other 13% thought it is very weak. Unlikely, more than 47% of the respondents from Selale Dairy Coop Union described their management as very good; other 16% described it as excellent and 16% as average. Therefore, it is possible to conclude that the satisfaction of members on the overall management of the cooperative in Selale Dairy Coop Union is significantly different from Ada'a Dairy Coop.

Table 4.34: Views of the Respondents towards the Performance of the Management

	Very Weak	Weak	Average	Very Good	Excellent
Ada'a Dairy Cooperative	8 (13%)	43 (67%)	11(17%)	2(3%)	-
Selale Dairy Coop Union	5 (5%)	16 (16%)	16 (16%)	46 (47%)	16 (16%)

Source: own survey

On the other hand the management members have raised many reasons for the weakness mentioned by the members. Accordingly, in Ada'a there is a lack of experienced human power to operate the processing plant, inconsistent relationship with private dairy industries, critical transportation problems and technical problems of the processing machines. Moreover, they mentioned that there is less commitment of the members to cooperate with the management and readiness to raise problems openly in order to solve them on time.

Moreover, the management of Selale Dairy Cooperative Union mentioned different reasons for its weaknesses said by the members. Firstly, it is dependent on private dairy industries because of limited capacity to buy its own processing plant. Secondly, it has limitations of finance and qualified human power for providing better cow breeds, vaccination services and other farming inputs. Lastly, it needs huge capacity to distribute the whole milk in the cities in order to get better price. As a result, it is forced to be dependent on private investors. However, the management has already started basic activities in order to establish its own processing plant and business hub in which all services will be provided for the members.

Case 3: W/r Aynalem Woldeyohanes

W/r Aynalem Woldeyohanes is a founder female member of the Ada'a Dairy Coop. She is 43 years of age. She completed grade 9. She said, "I had nothing in the beginning. I was in serious economic problem while my husband was fired from his organization. I got money from my relatives living abroad. Then I bought one cow and started to produce milk"

Becoming effective under the coop, she has been producing more than 20 liters of milk daily. Her number of cows rose to 5. She was successful in educating her children by selling milk for a long period of time.

She also said, "Though we have a processing plant, it cannot be managed well to satisfy our needs. It was difficult for me to search market individually as I am employed in public organization. As a result, I sold my two cows for 15,000 birr each because of the hopeless future of the cooperative and other two cows died. Currently, I have only one cow."

Describing her futurity in the dairy farming, she is planning to sell her cow and stop everything. This is because of the mounting cost of feed, difficulty to get medical services for her cow individually, and mainly fruitlessness of the cooperative. She is really dissatisfied by the management of the cooperative. However, she is one of the strong members who are straggling for the change of the cooperative.

Source: interview

4.4.2 Marketing Management

Production

The production in both cooperatives have similar trend. The only difference is the processing plant in Ada'a Dairy Coop. It starts from the members and ends with the delivering of milk to private dairy industries and partial processing in Ada'a Dairy Coop. Members have a role of producing raw milk. Then after the milk collection centers serve the members and send it to the center of both cooperatives. Subsequently, in Ada'a Dairy Coop partially will be processed and in Selale Dairy Coop Union it will be directly delivered to Family and Berta private dairy industries.

The steps of production and marketing with the actors in the value chain are shown below.

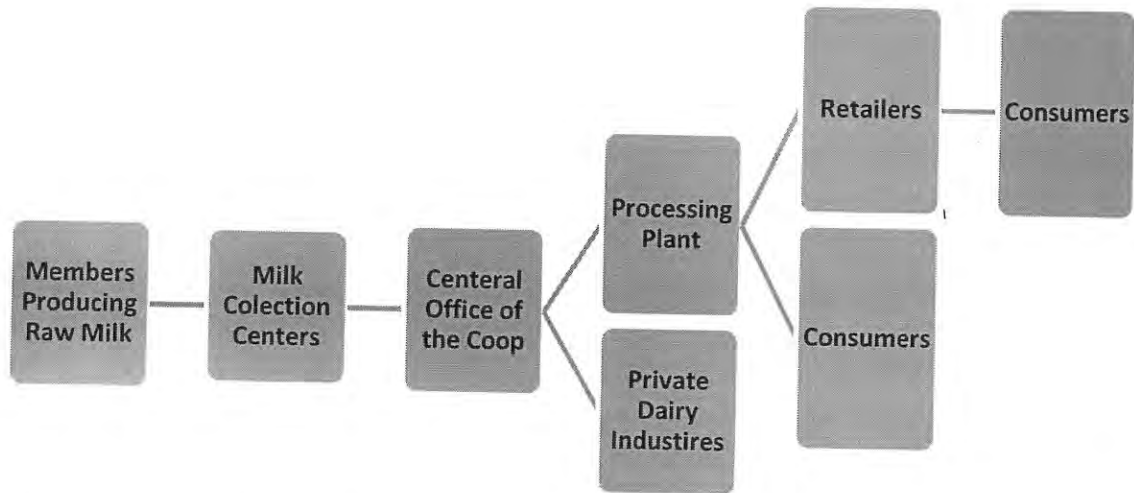


Figure 4.3: The Process of Milk Production and Marketing in Ada'a Dairy Coop

As shown in the chart the production starts from the farmers. They produce more than 8,500 liters per day. The cooperative usually processes up to 2,000 liters per and delivers 3,500 liters to Shola dairy industry. The rest will be saved in factory for the next few days waiting an order from the management, principally the marketing manager. After the processing operation takes place, some amount of pasteurized milk will be sold in the little shop of the cooperative and the rest will be distributed to retailers and various customers in Addis Ababa, Modjo, Adama, and Awassa cities.

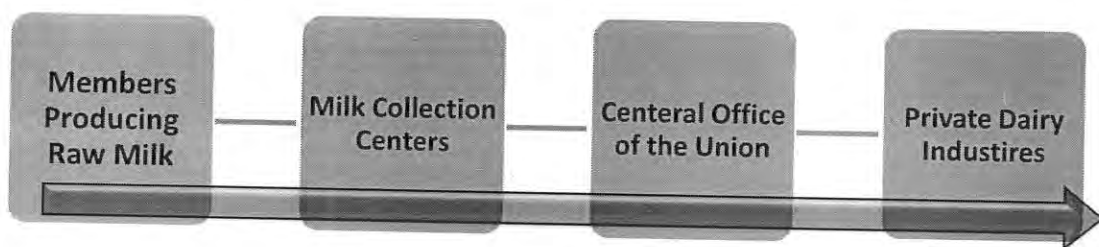


Figure 4.4: The Process of Milk Production and Marketing in Selale Dairy Union

In Selale Dairy Coop Union the production/collection takes place three times a day. Farmers deliver milk in to 22 milk collection center in the morning and afternoon. But the union collects the milk from these centers in three shifts and conveys it to Addis Ababa. The transportation facility radius of the union is up to 140 kilometers. Though there are fluctuations in different seasons; the current production capacity of the union is between 8,000 and 10,000 liters of milk per day. Currently, it delivers 4,200 liters to Berta and 3,800 liter to Family dairy industries. The rest, if collected, will be sold to individual retailers of raw milk in Addis Ababa or be sold in the little shop of the union.

Distribution Strategies

The distribution strategy in Selale Dairy Coop Union is simple as it is just collecting and delivering to private dairy industries. In Ada'a Dairy Coop, which produces pasteurized milk with its own logo, the distribution strategy has limitations. First of all, no promotion is done since the starting of the pasteurized milk production. As a result consumers do not know what it is. Secondly, the cooperative is risk taker for the unsold products in each shop of its retailers. This is forcing the cooperative to incur high cost of recollecting and reprocessing in to butter. Moreover, the cost of distribution is not proportionally enough with the profit of the processing activity. Processing milk needs economies of scale. As the cooperative is processing limited amount of milk, the cost of transportation and marketing is very high.

Competition

In both areas, Bishftu and Selale, there are number of private dairy industries which are well equipped to process milk and capable of paying more for the farmers. Consequently, these organizations are controlling the market and are affecting the business activities of the cooperatives. They are price makers in the market. Ada'a Dairy Coop as a processing

cooperative is not capable of competing with these organizations in the market because they are well organized with qualified personal, modern transportation facilities, and enough capital and communication systems in the market. As a result, the cooperative has become the supplier of milk for them.

Fluctuation Management

Milk production and demand for milk fluctuate in both sides. This happens mainly in fasting seasons of the Orthodox Christians. There were up to 4,000 liters of milk reduction in both cooperatives. Moreover, it also happened while the private dairy industries are not ready to take milk because of different reasons. The contract between the cooperatives and these industries is very weak and is not binding. They argue on a daily basis for interactions.

In all cases of fluctuations, the cooperatives do not manage it properly. What they usually do is reducing the amount of milk to be collected from the farmers based on their shares which leads to unexpected loss for them. Currently, majority of the farmers are suffering from such things. They are indirectly dependent on the private dairy industries who are deciding on their daily marketing elements.

4.5 Comparative Analysis of the Milk Processing Aspect

4.5.1 Profitability of the Dairy Processing Industry

Though cooperatives are not for profit maximization, they are part of the profit making business entities. They need profit to operate sustainably and make their members economically sufficient. Basically, reducing poverty should start from enabling the members free from economic shocks and loss.

Looking at the data of the cooperatives in the last few years, it is important to analyze the practical value of processing milk in Ada'a Dairy Coop and the cost of lacking this chance in Selale Dairy Coop Union.

The profitability of Ada'a Dairy Coop has been continuously decreasing from time to time until 2008/9. The profit was around 232,040 birr in 2004/5, 40,191 birr in 2005/6, and 36,236 in the subsequently year. However, the cooperative had sustained a loss in 2007/8 though the processing plant became operational in the same year. From the members' side this was because of corruption and mismanagement of resources. But according to the current management of the cooperative, this loss was because of high cost for the operation of the plant and other technical problems. It was profitable in the year 2008/9 and is expected to be profitable this year. Though the data before 2004/5 is not available, the trend of the profitability is depicted below.

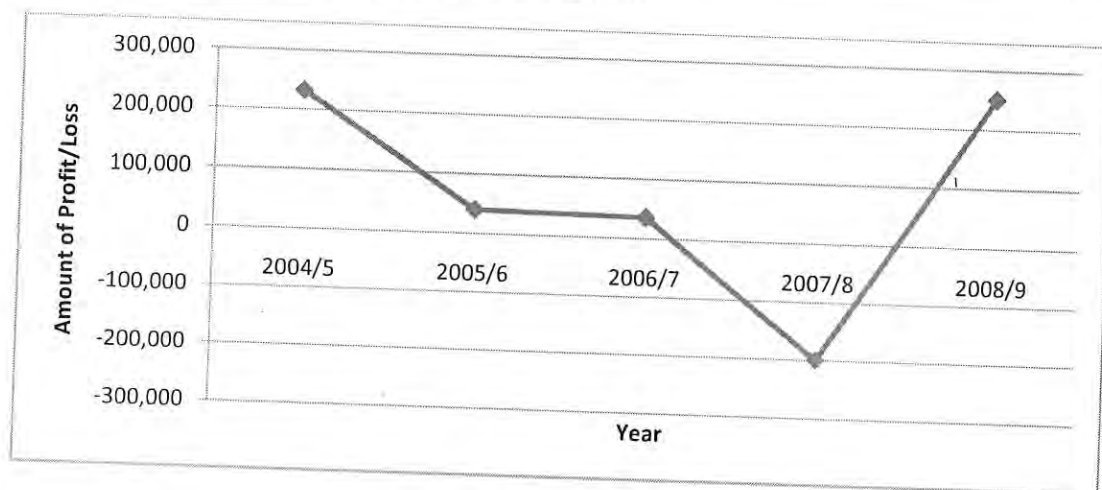


Figure 4.5: The Profit/Loss of Ada'a Dairy Coop from 2004/5 to 2008/9

Source: Annual Reports of the Cooperative from 2004/5 to 2008/9

On the other hand, the profit for Selale Dairy Coop Union has been increasing since 2001/2 though there was a great loss in 2005/6. According the current management members, this happened because of marketing management problems of the union. But the profit was 35,000 birr in

2001/2 and has become 445,224 birr in 2007/8. As a result, the union had allocated the profit to its members as dividend. Furthermore, the management said that it was profitable in 2008/9 and the same is expected this year.

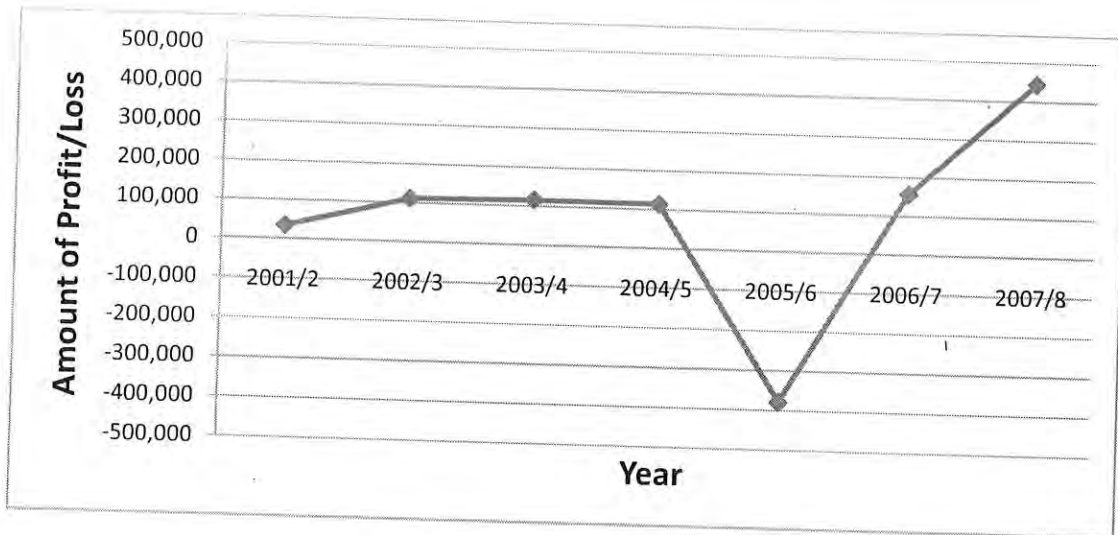


Figure 4.6: The Profit/Loss of Selale Dairy Coop Union from 2001/2 to 2007/8

Source: Selale Dairy Cooperative Union pamphlet and interview with the manager

It is clearly indicated that the advantage of processing is not significant. Most of the members in Ada'a Dairy Coop are not satisfied with the performance of the cooperative. They believe that the cooperative is losing because of corruption and mismanagement in the last years. On the management side the reasons are the capacity of the factory to process the whole milk collected, limited market for the product as no promotional activities are done, and lack of basic inputs for the factory.

In any case, the members have not got divided for the last three years. This implies for them as the processing part of the cooperative has nothing to do with the profitability. Many members fear for bankruptcy since the cooperative has been neither paying credit effectively nor allocating dividend for the members.

4.5.2 Advantages of Processing Milk in Ada'a Dairy Coop

Members of Ada'a Dairy Coop were asked to list down the basic advantages they got since the beginning of processing milk. Surprisingly, all of them said "nothing". But most of them are hopeful for the future as they believe that the current problem is because the managerial problems in the last few years.

In addition to the report of the members, the statistical data shows that there is no significant change after the establishment of the plant though it is a big and valuable asset for the cooperative community as a whole.

Before the establishment of the plant the cooperative was only collecting milk from its members and deliver it to private dairy industries. Currently, though it has a capacity of processing up to 15,000 liters of milk per day, they are processing only 2000 liters on average. Still now a great deal of milk, 8,000-10,000 liters, is collected from the members. However, around 3,500 liters of milk is to be delivered to Shola Dairy Industry daily on inconsistent contract. The remaining amount of milk, if collected effectively, is either to be saved for next few days or processed to cheese or butter which gives a lower price than pasteurized milk for the cooperative.

As a result of this all situation, according to the FGDs, many members have stopped delivering milk to the cooperative, some others stopped to pay their share payments to the cooperative and so forth. This later developed in to inter-members conflict in the cooperative.

On the other hand, other questions were raised to crosscheck the reports including the FGDs. Around 76% of the respondents do not believe that they are in better economic condition than others because of the processing plant. They explain their argument saying the processing plant could not enable them either get better price or better dividend.

On the contrary, as establishing new plant requires additional contributions or activities of members, the respondents forwarded the following issues as additional requirements for the operations of the milk processing plant:

- buying additional share from the cooperative; they are contributing 10% of their milks values to the cooperative
- to supply a limited amount of milk
- quality control of the milk

Case 4: Ato Legesse Turku

Ato Legesse Turku is a member of Ada'a Dairy Coop. He is 42 having three children. He joined the cooperative in 2002. He had only one cow giving only 15 liter of milk daily while he joined. But currently he has 15 cows with daily average production of 40-45 liters. He believes that his all economic condition is improved after he joined the cooperative.

He said, "I had nothing to allocate for educational cost of my family while I was alone but after I joined the cooperative I am allocating around 4,000 birr per year. Usually, I used to go and come from home on foot, but now I have money to use taxi. I believe now I am not poor. I have a full-fledged house. I bought it after I became a member of the cooperative because my income increased to 6,000 birr per month. Before I became a member but producing milk, I had only 1,200 birr income per month. "

He is very optimistic for the future. Currently he is employed in the processing plant and is servicing as production manager of the dairy industry. He is very committed for it. In the future he is planning to expand his dairy farming and become more effective. Moreover, he advises the other members to be tolerant for the problems of the cooperative because time will solve them. He believes that the factory is a big asset for all the members. He also hopes that they will become fruitful in the near future.

Source: Interview

4.5.3 The Problems of the Processing Plant in Ada'a Coop

Though the establishment of the dairy industry is a great success for the cooperative, it has number of limitations.

Limited capacity to process: the industry is only processing less than 2000 liters milk per day which is only around 14% of its capacity. The cooperative continued to deliver up to 3,500 liters raw milk to other processors.

Lack of spare parts: this is the other crucial issue for the cooperative. They cannot get the spare parts of the factory in local market. Getting it from other countries is very expensive and inaccessible. In the last few months, for example, the factory was broken and stopped almost for a month. As a result, over 13,000 liters of milk was spoiled and other thousands of liters were manually processed in to butter and sold at lower price.

Lack of inputs for processing: similarly the industry plant has limitations of getting basic inputs for milk processing. Last year it was out of operation for more than 6 months because of milk package inaccessibility in the local market. Importing the packaging material takes very long time. This was also a shocking case for the members of the cooperative.

Lack of qualified and skilled manpower: at the beginning the producer company of the processing plant from Belgium had trained few workers on the technical aspect of the factory however; these workers quit the cooperative because of their own reasons. Latter on the cooperative was in problem. Currently, the cooperative has only one skilled personnel on the operations of the factory.

Moreover, the respondents have mentioned number of problems with the processing plant of the cooperative. These are:

- The processing aspect made the cooperative to be more corrupted
- Failure to penetrate the market as no promotion is done for product
- Lack of concerned management, strategic planning, and lack of responsibility
- Resources management problems
- Lack of creativity

4.5.4 The Opportunities and Readiness of Selale Dairy Coop Union to Start Processing

Relatively a longer time was allocated in Selale Dairy Coop Union to elaborate the real need, attitude, readiness, and other elements of milk processing plant establishment. The first crucial question was, therefore, do they know what value adding or processing is? Most of them are already aware of that and they know the experiences of Ada'a Dairy Coop. Since the union is on the way to establish milk processing plant members some members are aware of it. However, the number of unaware members is more than the aware members which is still a managerial communication gap between leaders at primary cooperative level and the union. Since it is a cooperative every member should understand the fate of the organization as it is a fate of everyone.

In the FGDs and interview with some members, they express their fear for a loss if milk processing plant is operational. Most of these respondents reported the failure of Ada'a Dairy Coop as a reason because they consider Ada'a Dairy Coop as a role model for the modern dairy cooperative movement in Ethiopia. As a result they are developing a bad image against the introduction of processing industry in their cooperative activities.

What benefits are the members sacrificing as the union is not processing milk? They reported the following sacrifices:

- Better market
- Higher profit
- Investment opportunities

On the other hand, lack of access to processing opportunities is creating a problem for the farmers. The basic obstacles challenging the farmers are:

- Daily spoiling of milk because of limited market opportunities
- Lack of capital for business expansion

- Not addressing better markets in different places mainly at Addis Ababa which is attractive for the farmers

Moreover, the members do not believe that the establishment of milk processing plant is possible at primary cooperative level. The primary cooperatives are incapable of establishing it because it needs higher capital and much milk to process. It will not create economies of scale at this level. As a result, only 18% said it is possible to establish at primary cooperative level and others rejected this idea.

Likewise, they were asked if they can contribute something for the establishment of the milk processing plant. Most of them gave repetitively the following answers:

- Selling a cow and contribute money
- Providing quality milk
- Idea and financial support
- Inviting others to involve in it

Finally, the readiness of the cooperative members for the establishment of the milk processing plant is summarized in the next chart.

Table 4.35: The Readiness of Selale Dairy Coop Union Members to Involve in Value Adding Operations

	Responses				
	Very High	High	Average	Low	Total
The readiness of members to involve in the value adding process	37 (37.8%)	54 (55.1%)	5 (5.1%)	2 (2%)	98 (100%)

4.6 Major Problems of the Cooperatives

The cooperatives are facing many challenging issues and conditions. The critical ones which have impacts on the poverty reduction efforts are identified by employing different methods.

4.6.1 Problems of Ada'a Dairy Cooperative

Corruption

Members, mainly in the FGDs, reported that the cooperative has been in a seriously corrupted environment. They do not know the loss and profit of their organization. Moreover, there is no trust between the management and the members. They feel that this situation was created because the cooperative is highly corrupted. Some members tried to speak openly about cases of an amazing corruption.

Inter-Members Conflict

In the cooperative members have two categories. The first category is a group of members who are called as "dormant members" by the management. This is because some of them did not pay their share payments, some others did not pay registration fee, and others failed to supply milk to the cooperative. Moreover, some members of this category are members of the former management which was forced to be replaced by the members. As a result, the decision to eliminate this group, who consist more than half of the general membership size, led the cooperative into severe conflicts and later on to the court.

Inefficient Management

Members describe that the cooperative is not efficient in management. Though the factory has a capacity of processing around 15,000 liters per day, they are producing only 2,000 liters on average. They also said that all the resources including the feed processing plant is underutilized.

Lack of Skilled Manpower

The factory is made in Belgium. It was established with the help of Belgium embassy. However, the access to qualified manpower, mainly operators and technicians, is very risky. Since the type of the factory is different from other factories established in the country, the cooperative is suffering from shortage of skilled manpower and spare parts.

Undemocratic Administration

Likewise, the members describe the management as undemocratic. They mentioned some basic reasons. First, few members were active participants in the elections process of the board which was corrupted. Second, the management acts as other private businesses since it is excluding the members from the operations of the cooperative. Third, the cooperative is highly closed; members do not know what is going on in the cooperative. Surprisingly, most of them do not know whether the cooperative is bankrupted, losing or gaining.

Conflicting Roles of the Board and the Manager

According L. Williamson, in cooperatives the management team consists of two distinct entities; the board of directors elected by the members and a professional business manager hired by the board. The manager is selected by the cooperative's board of directors and is accountable to them for his or her actions. He spearheads all management. He/she must solve the technical business problems, including sales promotion, purchasing, and everything relating to the physical distribution and pricing of commodities and services and manage the accounting, financing, personnel, and other problems of the cooperative's operations.

However, in Ada'a Dairy Coop there are role conflicts between the manager and the board. The manager takes a part in the issues of membership and the board interferes in the business management.

Conflict between the Cooperative Promotion Office and the Cooperative

According to the cooperative legal documents of Ethiopia, originated from proclamation 147/91, the cooperative promotion office/bureau in Wereda level has a duty and responsibility of organizing, supporting and controlling every primary cooperatives operating in that Wereda.

However, the relationship between the Ada'a Wereda cooperative promotion bureau and the cooperative is horrible. The cooperative management bodies reported that the reason is lack of qualified personnel in the office to support the cooperative. However, the key informants in the office said it is because of the undemocratic and corrupted nature of the cooperative management. In any case this situation is affecting the performance of the cooperative.

Managerial Disorganization and Lack of Documentation

The management structure in the cooperative should be very structured in order to be effective. Then after duties and responsibilities will be clearly identified and delegated for everyone in the management. However, the management structure in Ada'a Dairy Coop is not clearly identified, the supporting employees are not aware of their duties and responsibilities. As a result, as the FGDs members reported, there is high staff turnover in the cooperative. One manager is recruited and be expected to do all things in parallel. Similarly, one marketing manager is recruited to do all marketing activities. What is more, the operations, duties and responsibilities of actors in the dairy marketing, and the list of real members are not properly documented. This trend continued from the very beginning up to now.

Membership Management

Members are assets of the coop. They are the owners, beneficiaries and decision makers of the cooperative. As a result, they need continuous treatment and participation in the operations of the cooperative.

Dissatisfying the members is leading the cooperative into dangerous step. In Ada'a Dairy Coop the respondents criticize the cooperative for the membership management. They believe as they are treated as only milk providers to the cooperative. The benefits, the decision making process, and the limitations of the cooperative are all locked for them and open for few members of the board. Such situation has been created before the establishment of the processing plant and is continued up to now.

Currently, it is difficult in Ada'a Dairy Coop to know the real members of the cooperative. Some bough shares but not fully paid the price for it, others paid registration fee but do not have shares, and some others have paid share or registration but they did not deliver milk to the cooperative. These all groups are not identified clearly and are in conflict as the cooperative seems to be in danger.

Unconcerned and Passive Members

Though most of the members are aware of the problematic situations of the cooperative, their participation and commitment to solve is very limited. Most of them are busy with other private business. The women members consider themselves as incapable to challenge the problems because of limited educational background and cultural evils. This is one of the sources for the replication of the problem in the cooperative.

4.6.2 Problems of Selale Dairy Coop Union

Weak Member-Management Relationships

As discussed above members of any cooperative should be active in the cooperative business and be well aware about the operations of the cooperative. In Selale Dairy Coop Union, the respondents said that the relationship between the union and members of the primary cooperatives is very weak. It was surprising to meet some members who do not know that there is a union in the area and they are members.

Though, Selale Dairy Coop Union is a union it does not mean that all its communications should be with leaders of primary cooperatives. Promoting its objectives and plans among the mass members may help it to be more effective in producing milk very well.

Corruption

The second problem is corruption. Many members described the union as highly corrupted before though most of them are not sure about the current management. This implies that at least there is a communication gap between both parties if the management of the union is not corrupted.

Adulteration

The other critical problem in the union is the corrupted business operation of some members. The FGD participants raised number of adulteration cases in some primary cooperative members of the union.

The milk testing mechanism in the primary cooperatives is not strong. Though the cooperatives and the union as a whole are taking measures, it is not enough to stop it.

Shortage of Feed

All respondents of the study in Selale Dairy Coop Union reported that the price of animal feed has been increasing at higher rate than the price of milk. Though the members utilize the natural grazing lands in their areas, they need more animal feeds to buy. However, the access to it, the price and the quality are not satisfactory for them.

Lower Price for Products

The price for milk in Selale Dairy Coop Union is less than the price in Ada'a Dairy Coop. This is not because of the processing plant. Rather it is because of the price of delivering to private dairy industries; Shola in Ada'a Dairy Coop and Family and Berta in Selale Dairy Coop Union. Comparing the price

of milk in their zone in general, the members of Selale Dairy Coop Union are not satisfied with the price. As a result some members have totally stopped delivering milk to the union and sell it in Addis Ababa individually. If continued similarly, this situation may lead the cooperative union in to difficult situation.

Case 5: W/ro Jemila Hussien Kedir

W/ro Jemila Hussien Kedir was a member of Chancho primary dairy cooperative which is another member of the union. She is 40 years old and has 4 children. She completed high school class up to 12th grade.

Five to six years before she has few cows and was producing limited amount milk per day. However, she could not find encouraging market condition in her area. She could not at least cover the cost of animal feed. Lastly, she decided to be a member of the dairy cooperative. Then after, her income has relatively increased but not too fair to satisfy her.

She said, "sometimes, the union was not willing to collect my product. I was not happy with that as I was losing more money. Moreover, the price of delivering milk to the coop was very low. Finally, I decided to stop delivering of milk to the union. I started to sell milk individually in Addis Ababa for 7 birr per litter while the price in the union was 3.5 birr. I became successful at the beginning and motivated to do more." Currently, she has own shop in Addis where raw milk, butter, and yogurt are available. The daily milk production reached 250 litters. The price of milk in her shop is 8 Birr while it is only 4.5 birr at the get of the union. Moreover, she has a big dairy farm with 50 cows in 3.5 hectares of land in Elame Roba. There are 12 employees in her business. Her net profit per month is 10,000 - 25,000 birr.

Because of her amazing successes within four years, she won local, regional and national awards as best women farmer in her area. She is really a great confident entrepreneur. In the near future, she is planning to establish her own dairy industry and compete with the major private dairy industries in the country.

Source: Own interview

4.7 Contributions of the Cooperatives for the Community

The seventh principle of cooperatives is Concern for Community. According to this principle cooperatives are expected to work for the sustainable development of their communities through policies approved by their members. That is why cooperatives have a fund for community work to serve the community directly.

The contributions of Ada'a Dairy Coop and Selale Dairy Coop Union for their communities are summarized as follows:

A. Market Stabilization

One of the direct contributions of these cooperatives in their areas is the market stabilization role. The community is getting milk at lower price than private dairy industries in the market. On the other hand, these cooperatives may also affect the price of milk in the nation in general and in Addis Ababa in particular as they are the major cooperative producers of milk around the capital city.

B. Services to the Community

The cooperatives are further giving services for the community members. Mainly, they receive the milk of non-members at the same price with members. Moreover, they deliver products to different organizations including cooperatives at fair prices.

C. Quality Production

In both cooperatives there is consensus of the respondents that the quality control is better than private dairy industries. The testing mechanism for milk quality is good though it is not perfect. Both cooperatives take strong measures against members who adulterate the milk.

D. Employment Opportunities

The other major contribution of the cooperatives for their community is creating job opportunity. Throughout the process of milk marketing in Ada'a Dairy Coop, there are tens of employees. Similarly, Selale Dairy Coop Union has created many opportunities for the community. The union, for example, has 18 employed workers.

4.8 The Involvement of NGOs in the Dairy Coop Sector

Different nongovernmental organizations have been playing various roles in the development of dairy cooperatives. In both cooperatives international NGOs are supporting the business in different aspects.

In Ada'a Dairy Coop since the establishment of the cooperative, there are number of organizations involving in the business. The International Livestock Research Institution (ILRI), for example has been supporting for long period of time. Currently, the projects of ILRI are working with the cooperative by providing technical and financial support including training. Furthermore, the Belgium embassy had a great role in the establishment of the processing unit.

Similarly in Selale Dairy Coop Union there are many international organizations to support the farmers. The Netherlands Development Organization (SNV) is involving in capacity development of the cooperative and is trying to develop the new concept of business hub which enables the cooperative deliver multidimensional services at one center. The ACDI/VOCA is involving in dairy farm management mainly on animal feeding. Moreover, the USAID under the Land Olakes project is working on capacity building of the union. Furthermore, another organization from Netherlands, the Agriterria is a new coming one.

4.9 The Roles of the Cooperative Promotion Authorities

Though the legal procedure shows that Ada'a Dairy Coop should work under the facilitation of the Wereda cooperative promotion office, its bond is now connected with the zonal one. This was created because of interpersonal conflicts of both parties. On the other hand, Selale Dairy Coop Union has a communication with the zone cooperative authority which is legally mandatory and feasible. However, the primary cooperatives are under the support of the Wereda cooperative experts. Though, there is no full-fledged cooperative office in Chanco and its surroundings, the roles of the cooperative workers/offices are mainly:

- Organizing
- Auditing and related services
- Problem solving
- Facilitating training
- Facilitating credit channels for the cooperatives
- Communicating different organization to facilitate support

4.10 The Futurity of the Cooperatives

The cooperatives are planning for further development in the future. Ada'a Dairy Coop is planning to develop a dairy zone in the near future and enter into well organized dairy farming. Though it is not profitable enough to change the life of the members in the time being, there is a bright future for the cooperative as reported by the management bodies. In fact, there are initiatives to improve the economic conditions of the cooperative, solving the politicized conflict among the members, and reducing the risky circumstances of the processing plant.

Conversely, the responses of the members indicate that the cooperative needs another democratic elections, change on the management approach, and overall reformation. Many respondents believe that the involvement of

the government is mandatory at this time. Majority of the FGD participants said the cooperative is in danger and needs critical reformation.

In the other side, Selale Dairy Coop Union is planning to establish a milk processing plant. A bid is already prepared to start the work with huge financial support from Cooperative Bank of Oromiya. If it becomes effective, they expect to be free from the dependency on private dairy industries. Moreover, the union has already started activities for the introduction of a new type of operation on the cooperative dairy sector in Ethiopia. Under this operation, called *Business Hub*, members of the cooperative will get every type of dairy services at one place.

However, such plan will be effective with the help and participation of the members. Only expansion without member control is risky. This is because the members said that their awareness towards the operations of the union is minimal.

Moreover, they believe that government can play a great role for the establishment of the milk processing plant.

Besides, the opinion of the members on the futurity of their cooperative membership is illustrated as follows:

Table 4.36: Opinion of the Respondents on the Future Membership Size

Coop	Responses		
	Yes	No	Total
Ada'a Dairy Coop	12(19%)	52(81%)	62 (100%)
Selale Dairy Coop Union	77(77%)	23(23%)	100 (100%)

Source: Own Survey

As shown in the table, most of the respondents from Ada'a Dairy Coop do not expect the total membership to increase because of closed management system, dissatisfaction of the current members, conflict, corruption, and

current bad image of the community to the cooperative. However, 12 respondents think that the membership will increase because non-member potential farmers consider the dairy industry as an asset.

Unlikely, majority of respondents are hopeful about the future membership of the union in general and their primary cooperatives in particular. The reasons are sustainability of milk collection services, governmental support to the union for the establishment of dairy industry and the positive feeling of the present members. In the other side, the opposite respondents kept some basic issues as reasons for the decrease of members in the future. These reasons include the accessibility of better price in the market, hopeless feeling of some members and verily limited advantages of being a member.

4.11 The Cooperative Policy Environment

Though there is no a specific policy of cooperatives in Ethiopia, the government has been supporting the cooperative movement by designing various legal documents. The currently working proclamation and its procedures are the major elements in the analysis of the cooperative policy environment for both cooperatives.

First of all, members were asked about the economic condition specifically the business activities of the country. The feeling of the members towards this issue is positive in both cooperatives. Additionally, they evaluated the emphasis of the government towards cooperatives as follows:

Table 4.37: Opinions of Respondents on the Emphasis of the Government on Coops

	Bad	Average	Very Good	Excellent
Ada'a Dairy Coop	-	11	19	28
Selale Dairy Coop Union	1	15	57	27

Source: Own Survey

In addition, the role of the local cooperative promotion authority was studied by discussing with the members and the promoters. In comparison to the above response which shows remarkable emphasis of the government on the cooperatives, the satisfaction of members by the supports given by the local cooperative authorities is less.

The cooperative promotion office provides services for the cooperative in the areas of auditing, legal issues, credit facilitation and other technical issues. Moreover, training on different topics is one of the basic services that are delivered to the cooperative members and the board.

Furthermore, the policy related problems in both cooperatives are clearly indicated below:

1. **Lack of dairy quality control and standards:** there is no any rule and regulations in Ethiopia which supports the milk quality control and standards. This is creating conflicting issues in the cooperatives, especially in Selale Dairy Coop Union.
2. **Land inaccessibility:** though the legal documents of the country including the cooperative proclamation permit the delivery of land for cooperatives with special treatment, the local authorities are not practicing it. Getting land was the most serious issue in the development of Ada'a Dairy Coop. Similarly, Selale Dairy Coop Union is suffering from lack of land.
3. **Inaccessible rights of free import of inputs:** besides to the free chance of getting land, cooperatives also have good opportunities to import basic inputs for their members. However, they are not satisfied with the services delivered by the respected authorities.

4. **Political pressures:** cooperatives are free from any interference from the government. They are autonomous and independent organization in principle. However, in both cooperatives there are some cases which are politicized. The inter-member conflicts in Ada'a Dairy Coop are partially politicized. Some politicians in the local level want to use their power for influencing the cooperative operations for their personal advantages.

To sum up, the role of the cooperatives in changing the overall living conditions of the farmers is considerable. Moreover, they have created a better opportunities for the farmers after their membership than before. However, the roles of the cooperatives in facilitating empowerment and enhancing security are very limited.

Conclusion and Recommendations

Conclusion

The dairy sector in general has a potential to support the poverty reduction efforts of the country because Ethiopia has a huge cattle population. Dairy coops can have a great role in utilizing this resource and get the farmers benefited from their milk production. However, all the dairy cooperatives in the country except Ada'a are involved only in milk marketing which is not enough to enable the farmers get fair income to be out of poverty. The dairy coops working around Addis Ababa, partially including Ada'a, are supplying their huge production of milk to private dairy farmers.

The selected cooperatives under this study have contributed a lot for the improvement of farmers' life to some extent. The farmers believe and the data collected and analysed show that there is a change in the overall living conditions of the farmers. Their income has increased, their expenditure increased in return, they are getting relatively better price than before their membership, and they get better market accesses and bargaining power after membership.

On the other side, the farmers in both Ada'a Dairy Cooperative and Selale Dairy Cooperative Union, are still suffering from lack of feed at fair price and good quality, lack of veterinary medicine, lack of credit and saving services, limited access to training and education, unavailability of sustainable market. Moreover, they feel unsecured in their farming and their life in general as they have many risky conditions to face.

In general words, the cooperatives are not successful in *facilitating empowerment* and *enhancing security* which are the two basic action areas in poverty reduction.

To meet the empowerment facilitation role, the cooperatives should have to be accountable and responsive to poor people strengthening the

participation of poor people in decision making processes, and other internal issues. Under the second action area, the cooperatives have limited or no role at all to change the vulnerability to ill health, economic shocks, natural disasters, violence and other types of personal or farming risks. Moreover, they are not effective enough to meet the promoting opportunity action area of poverty reduction.

In Ada'a Dairy Cooperative, the members have relatively better price than before their membership but not enough to change their socio economic conditions. Besides, they are empowered at all, not secured and dissatisfied with the performance of their cooperative and managerial problems. Thus, there are inter-member conflicts, members' withdrawal, members' passiveness and high frustrations. Conversely, the processing plant has only become an asset for the farmers but not a means to get better price because it is mismanaged, underutilized, and faced by different technical problems. Therefore, its role has become very limited for the time being though it is potentially feasible to do so. Consequently, it is implying to the community and members of other dairy cooperatives as a failure story not as success story of a cooperative in the dairy sector.

In the other side, the performance of Selale Dairy Cooperative Union has been improving in the last few years. However, it also has many similar problems with Ada'a. The members are still getting very low price for milk, unsecured market with seasonal demand for milk, and high dependency on private dairy industries. However, the initiative of the union for the establishment of the processing plant is a hopeful issue for the farmers though many farmers are frustrated with the performance of the union to change their life.

In general, there is an involvement of different actors in the cooperative dairy sector in both areas including governmental and non-governmental organizations to support the farmers. However, women are still more dominated by men in Selale Dairy Cooperative Union.

Recommendations

The poverty level of most of the farmers is better than before their membership but not enough to change their life and be out of poverty. Therefore, the following recommendations are essential to do so:

- Management is the basic factor for the success of the cooperatives. Therefore, the cooperatives can be successful to promote opportunity, to facilitate empowerment and enhance security if and only if they have democratic and qualified management.
- The management style in both cooperatives should be *Cooperative Management Style* which is open, participatory, and highly democratic in nature. Accordingly, membership management will be improved and members will feel responsible as owners in return.
- The processing plant in Ada'a and the planned one in Selale Dairy Cooperative Union should be well utilized to be economically feasible. Likewise, though, the credit provided by Oromiya Cooperative Bank is a good support, its repayment has an impact on the life of the farmers if the plant is not well managed to be well employed.
- The attitude of the members towards the cooperatives in general and the specific cooperatives in particular have to be improved through training and education. Then after, they will fully support the efforts of their cooperatives by providing finance and milk.
- Though cooperatives are not profit maximizing organizations, they need profit to stay in the market. Accordingly, both Ada'a and Selale Dairy Coops have to be competent with the private dairy industries and profitable enough to improve the economic gains of their members within a short period of time.

- Selale Dairy Cooperative Union and Partially Ada'a Dairy Cooperative are dependent on private dairy industries by providing milk. This makes the cooperatives powerless in the market to change the life of the farmers. Therefore, they have to strongly work to resist this dependency.
- The sense of dependency on others mainly on NGOs and governmental organizations must be reduced to enable the cooperatives autonomous and free to operate.
- All respected legal authorities have to work together for the elimination of corrupted management of the cooperatives at any time, if any. Since members believe that there is corruption in the cooperatives, the development of the cooperatives in general and their role for the poverty reduction in particular will be affected.
- Further studies should be conducted on the economic impact of membership, managerial problems, financial management, sustainability, capacity to survive without any support, marketing strategies, and other related issues of the cooperatives.
- Lastly, encouraging policy environment is necessary for the development of the cooperatives. Additionally, the Cooperative Proclamation 147/91 has to be practical by the cooperatives themselves and the local authorities in the areas where they operate.

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Appendices

Appendix 1: Questionnaire

The purpose of this questionnaire is to gather information concerning the role of milk processing (dairy) cooperatives in reducing poverty in Ethiopia. The information is meant to be utilized in the study that the investigator is conducting under the topic of "The Contributions of Dairy Cooperatives in Reducing Poverty."

Therefore, you are kindly requested to supply the correct information so that the outcome of the study could be of ample value to the country in general and the cooperative movement in particular. Please, be honest in your response!

Thank you, in advance for your cooperation!

PART I: BACKGROUND OF THE RESPONDENT

1. Age

<18 18-25 25-35 35-50 >50

2. Sex

Male Female

3. Are you currently (check \checkmark only one):

Married Separated Widowed Single Divorced

4. Family size;(if you are not single)

2	3	4	5	6	7	8	9	10	Above (specify)

5. Level of education (please circle the highest year/level of school completed)

Illiterate	1 - 4	5 - 8	9 - 10	11 - 12	Certificate	Diploma	Degree	Above

6. Date of your Cooperative membership (only for ADA'A DAIRY COOPERATIVE)

Pioneer 1996 - 1999 2000 - 2002 >2003

7. Name of your primary Cooperative and time of membership: (only for Selale Dairy Cooperative Union)

**PART II: GENERAL LIVING CONDITIONS OF MEMBERS
BEFORE AND AFTER THEIR MEMBERSHIP**

	Questions	Answers	
		Before membership	After membership (currently)
8.	Number of your cows:	1 - 5 <input type="checkbox"/>	1 - 5 <input type="checkbox"/>
		6 - 10 <input type="checkbox"/>	6 - 10 <input type="checkbox"/>
		11 - 15 <input type="checkbox"/>	11 - 15 <input type="checkbox"/>
		16 - 20 <input type="checkbox"/>	16 - 20 <input type="checkbox"/>
		>20 please specify _____	>20 please specify _____
9.	How much milk do you produce per day on average?	Before membership	After membership (currently)
		Please specify in liters:	Please specify in liters:
10	What was the average monthly expenditure of your household?	Before membership	After membership (currently)
		<birr 100 <input type="checkbox"/>	<birr 100 <input type="checkbox"/>
		birr 101-200 <input type="checkbox"/>	birr 101-200 <input type="checkbox"/>
		birr 201-300 <input type="checkbox"/>	birr 201-300 <input type="checkbox"/>
		birr 301-400 <input type="checkbox"/>	birr 301-400 <input type="checkbox"/>
		birr 401-500 <input type="checkbox"/>	birr 401-500 <input type="checkbox"/>
		birr 501-1000 <input type="checkbox"/>	birr 501-1000 <input type="checkbox"/>
	>1001 <input type="checkbox"/>	>1001 <input type="checkbox"/>	
11	What is your household diet condition after the coop membership looks like?	Worsened <input type="checkbox"/>	
		Stayed the same <input type="checkbox"/>	
		Improved <input type="checkbox"/>	
12	How many times does your household eat meals in a day?	Before membership	After membership
		Once <input type="checkbox"/>	Once <input type="checkbox"/>
		Twice <input type="checkbox"/>	Twice <input type="checkbox"/>
		Three times <input type="checkbox"/>	Three times <input type="checkbox"/>
		More than three times <input type="checkbox"/>	More than three times <input type="checkbox"/>
13	Do you think that you and your family access to educational conveniences have	Yes <input type="checkbox"/>	Please specify the reason!
		No <input type="checkbox"/>	
		No Answer <input type="checkbox"/>	

	improved subsequent to the membership?		
14	What is the average educational expenditure per year?	Before membership	After membership
		Birr _____	Birr _____
15	What was/is your usual means of transportation?	Before membership	After membership
		On foot <input type="checkbox"/>	On foot <input type="checkbox"/>
		Animals <input type="checkbox"/>	Animals <input type="checkbox"/>
		Taxi <input type="checkbox"/>	Taxi <input type="checkbox"/>
		Public transport (Bus) <input type="checkbox"/>	Public transport (Bus) <input type="checkbox"/>
		Personal car <input type="checkbox"/>	Personal car <input type="checkbox"/>
16	How do you measure your access to medical facilities and services?	Before membership	After membership
		Excellent <input type="checkbox"/>	Decreased <input type="checkbox"/>
		Very Good <input type="checkbox"/>	Stayed the same <input type="checkbox"/>
		Good <input type="checkbox"/>	Increased <input type="checkbox"/>
		Poor <input type="checkbox"/>	
		Very poor <input type="checkbox"/>	
17	What are the reasons?		
18	In general, would you say you are:	Before membership	After membership
		Very rich <input type="checkbox"/>	Very rich <input type="checkbox"/>
		Rich <input type="checkbox"/>	Rich <input type="checkbox"/>
		Average <input type="checkbox"/>	Average <input type="checkbox"/>
		Poor <input type="checkbox"/>	Poor <input type="checkbox"/>
		Very poor <input type="checkbox"/>	Very poor <input type="checkbox"/>
		No response <input type="checkbox"/>	No response <input type="checkbox"/>
19	Are you employed?	Yes <input type="checkbox"/>	Please describe your job
		No <input type="checkbox"/>	

20.	Do you have the listed assets?		When did you acquire them? Please show by marking (√)		
			Mark (√)	Before membership	After membership
	1.	Chair			
	2.	Table			
	3.	Bed			
	4.	Sofa			
	5.	Shelf			

6.	Radio			
7.	TV			
8.	Tape player			
9.	Refrigerator			
10.	House			
11.	Car			
12.	Other medium of transport			
13.	Milking equipment			
14.	Other assets (please specify)			

PART II: ISSUES OF PROMOTING OPPORTUNITY

A. Economies of Scale for Farmers

21. Do you think that your products' values have increased because of the cooperative action?

Yes No I cannot measure it

22. If you say "Yes", what are the main reasons?

23. Is your bargaining power raised after you became a member of the cooperative?

Yes No

24. What types of opportunities have been created by the cooperative to you?

- | | |
|---|--|
| <input type="checkbox"/> Better prices for products | <input type="checkbox"/> Access to saving and credit |
| <input type="checkbox"/> Enough provision of basic inputs | <input type="checkbox"/> Better access to attractive markets |
| <input type="checkbox"/> No opportunities have been created | <input type="checkbox"/> High economies of scale |
- Others, if any:

B. Better Price for Products

25. Is the price of your products increased after you join the cooperative?

Yes No

26. Do you feel that you are getting a fair price of your products because of the cooperative/union efforts?

Yes No

27. How much would you sell your milk, if you were not a member of the cooperative/union? (Please specify the price per liter of milk: _____)
28. How much are you getting from the cooperative/union this time? (Please specify the price per liter of milk: _____)
29. Has your income increased after you join the cooperative/union?
 Yes No
30. If you say "Yes" for the above question, would you please show how your income has increased after you became a member? (specify your monthly income in Birr before and after your membership)
 Before membership After membership

C. Saving and Credit Services

(Answer the questions of this part only if your cooperative/union is providing the services)

31. Are you getting saving services from the cooperative?
 Yes No
32. If you say "Yes", why you prefer to save your money in the cooperative?

33. How do you evaluate the services?

Very poor	Poor	Good	Very Good	Excellent

34. Do the cooperative provide you a credit services?

Yes No

35. Have you ever used these services?

Yes No

D. Input Provision

36. What types of inputs do you need for your dairy production?

37. Who are the sources/suppliers of inputs for you?
 Individual importers Government agencies the cooperative/union
 Importing agencies Others (please specify _____)
 : _____)

38. If the cooperative is providing you inputs:

a. How do you evaluate the quality condition of the services?

Very poor	Poor	Good	Very Good	Excellent

b. Are the inputs available in the market to buy individually?

Yes No I do not know

c. How do you compare the price of inputs provided by the cooperative and the inputs in the market?

It is lower It is the same It is higher

E. Access to Better Markets

39. Where were your market areas before you join the cooperative?

40. How about now?

41. Do you think that the cooperative has created more access to markets for you?

Yes it has created for me No, it has not created more access to markets

42. What market related advantages are you getting as a member?

43. Do you have any method to get these advantages from other sources or individually?

Yes No

PART III: ISSUES OF FACILITATING EMPOWERMENT

A. Active Participation

44. What are your roles in the cooperative?

45. How do you support your cooperative?

- By providing milk By attracting new members
 By providing finance By participating in processing activities
 By giving market and milk quality information
 By participating in decision making activities
 Other supports: (please specify _____)

46. How is the relationship between you and the cooperative?

Very poor	Poor	Good	Very Good	Excellent

47. How do you measure the openness of the cooperative for the participation of members?

Very poor	Poor	Good	Very Good	Excellent

48. What experiences do you get from the cooperative to participate in the local political issues?

B. Decision Making

49. Who is the owner of the cooperative?

- The board members the members the community
 The government I do not know

50. Do you feel that the cooperative is your organization?

- Yes No

51. Do you participate in the meetings of the cooperative?

- Yes No

52. Do you participate in the election events of the cooperative?
 Yes No
53. If you participate, do you say that the election process of the cooperative is democratic?
 Yes No
54. What experiences are you learned from the cooperative in the process of election, duration in power, public participation, and so on?

PART IV: ISSUES OF ENHANCING SECURITY

A. Collective Risk

55. Which are the risks in producing milk and milk products in general?
 Limited access to markets Low quality milk Low price for products
 Perishable nature of the milk Dominance of middlemen
 Shortage of basic inputs Any other: (please specify _____)
; _____)

56. How were you recovering if you face any risk in your business before you join the cooperative?
 Through individual efforts Through other personal business
 Through family/relatives support Through governmental supports
 No way to recover; just losing Any other methods, if any:

57. Do you feel that you are more secured than before you join the cooperative?
 Yes No I do not know

58. Do you have any support from the coop if you or your family faces any health problem?
 Yes No

59. What risky operations and elements are reduced after you became a member of the cooperative? _____

B. Conflict Reduction and Management

60. Have you ever entered into conflict with anybody in your localities?
 Yes No

61. If you had it, what was the reason?

62. Do the cooperative contribute for the conflict reduction in your area?
 Yes No

PART V: POLICY ENVIRONMENT

63. How do you evaluate the business condition of the country for your success?

Very Bad	Bad	Good	Very Good	Excellent

64. How do you evaluate the emphasis of the government towards cooperatives?

Very Poor	Poor	Good	Very Good	Excellent

65. What policy obstacles are you facing in your business?

66. Are you satisfied by the supports provided by the cooperative promotion office/bureau of the woreda/zone?

Yes No

PART VI: GENDER ISSUES

67. In general, how is the cooperative care for women producers?

Very Poor	Poor	Good	Very Good	Excellent

68. Are the operations of the cooperative equally advantageous for women?

Yes No

69. Do women participate in decision making?

Yes No

70. How do you evaluate and compare the socio economic status of member women with non-member women milk producers?

- They are in the same good condition
 They all are in bad socio-economic conditions
 Member women are in better condition than non-member women
 Non-member women producers are in better condition than member women

71. Do women members equally fulfill their duties as their counterparts do?

Yes No

PART VII: VALUE ADDING ASPECTS

For Ada'a Dairy Cooperative only

72. What advantages are you getting from processing the milk under the cooperative?

73. Was it possible to process the milk with individual efforts and getting these advantages?

Yes No

74. Do you feel that you are in a better economic condition than others who do not get a chance to process their products?

Yes No

75. Do you believe that your economic stance has been improved as a result of processing milk under the cooperative?

Yes No

76. What additional duties or operations are you required since the cooperative has started processing milk?

77. What shortcomings of the value adding process are you concerned about?

For Selale Dairy Cooperative Union only

78. What did you loss because of the union's limitation to process the milk?

79. What problems have you faced because of the *only marketing approach* of the union?

80. Do you think that it is possible to establish processing plant at your primary cooperative level?

Yes No

81. What can you contribute in order to enable the union start milk processing?

82. How do you evaluate the readiness of the members for the establishment of milk processing plant?

Very High	High	Average	Law	Very Law

PART VIII: GENERAL CATEGORY QUESTIONS

83. How do you evaluate the overall performance of the management/administration of the cooperative?

Very Bad	Bad	Average	Very Good	Excellent

84. What are the strengths of your cooperative in changing your level of socio economic conditions?

85. What are the weaknesses of your cooperative in changing your level of socio economic conditions?

86. Do you think that the membership of your cooperative will increase?

Yes

No

87. Why?

88. If you have any comment:

Appendix 2: Focus Group Discussion Guidelines for Members

1. What is the advantage of cooperation?
2. The level of poverty of the members before and after membership
3. The view of the members towards the cooperative policy, cooperative promotion process, other legal issues
4. The benefits of processing milk for the members (Ada'a Dairy Cooperative Only)
5. Challenges and opportunities of processing milk
6. The cost and drawbacks of processing milk (Ada'a Dairy Cooperative Only)
7. The benefits of the cooperative in terms of enhancing security, promoting opportunity and empowerment
8. The benefits of the cooperative/union to the community overall development/change
9. Participation of women farmers in the cooperative activities
10. The efficiency of the management bodies
11. The problems of the cooperative/union as a whole

Appendix 3: Interview Checklist for Leaders of Coop Movement at Lower Level


1. How is the background of the cooperative?
2. How do you see the trend of membership in the cooperative?
3. How much is participation of members in the activities of the coop?
4. What are the major benefits of the cooperative/union to the community overall development/change?
5. Is there any member-based problem in the cooperative? What?

6. Do women farmers participate equally in the cooperative activities? How about their number in major positions?
7. Is the cooperative/union profitable enough to change the overall status of the members and the community?
8. How do you evaluate the effectiveness of the cooperative/union in the national markets? Please specify your reasons.
9. Are you facing a fierce competition from other private businesses?
10. What are the benefits of processing milk for the members and the cooperative? (Ada'a Dairy Cooperative only)
11. What are the main opportunities and challenges of processing milk?
12. What are the costs and drawbacks of processing? (Ada'a Dairy Cooperative Only)
13. What are the basic steps in the value adding process? (Ada'a Dairy Cooperative Only)
14. Who are the main actors in your marketing cycle?
15. Do you think that the level of poverty on its income side is reduced after the registration of members?
16. What policy related issues are you facing in the expansion of your business?
17. Do you have a plan for further steps of processing activities?
18. What is the futurity of the cooperative? Are you planning for that?
19. Managerial problems; efficiency, effectiveness and related issues

Declaration

"This thesis is my original work and has not been presented for a degree in any other university, and that all sources of material used for the thesis have been duly acknowledged"

Name: Abdulkadir Wahab

Signature: -----

Confirmed by Advisor:

Name: Dr. Woldeab Teshome

Signature: -----

Place and date of submission: Addis Ababa University, June, 2010.