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**The Role of Agricultural Marketing Cooperatives in Reducing
Rural Poverty: The Case of Yirgachefe and Sidama-Elto
Cooperative Unions in SNNP Regional State**

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ADDIS ABABA, ETHIOPIA

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Acronyms

<i>BoFED</i>	Bureau of Finance and Economic Development
COPAC	Committee for the Promotion and Advancement of Cooperatives
CSA	.....	Central Statistical Agency
ECX	.....	Ethiopian Commodity Exchange
ETB	.....	Ethiopian Birr
FDRE	.....	Federal Democratic Republic of Ethiopia
HDR	.....	Human Development Report
ICA	.....	International Co-operative Alliance
ILO	.....	International Labor Organization
IMF	.....	International Monetary Fund
JICA	.....	Japan International Cooperation Agency
MDGs	.....	Millennium Development Goals
MoFED	.....	Ministry of Finance and Economic Development
MPI	.....	Multidimensional Poverty Index
NGOs	.....	Non-Governmental Organizations
OPHI	.....	Oxford Poverty and Human Development Initiative
RCPA	.....	Regional Cooperative Promotion Agency
SDPR	.....	Sustainable Development and Poverty Reduction
SEFCU	.....	Sidama Elto Farmer's Cooperative Union
SNNP	.....	Southern Nations Nationalities and Peoples
UN	.....	United Nations
UNDP	.....	United Nations Development Program
YCFCU	.....	Yirgachefe Coffee Farmer's Cooperative Union

ABSTRACT

The study on The Role of Agricultural Marketing Cooperatives in Reducing Rural Poverty- the case of Yirgachefe Coffee Farmers Cooperative Union and Sidama Elto Farmers Cooperative Union tried to analyze the overall impact of agricultural marketing cooperatives on rural farmers with a view of assessing the real and potential role of agricultural marketing cooperatives on the reduction of rural poverty through Socio-Economic Development of the rural poor.

The study used cross qualitative and quantitative approach by means of structured interview with sample members in the cooperative sector as the basic data gathering tool followed by in-depth interviews with leaders and officials in selected cooperative societies and concerned bodies at different levels and focus group discussions with a view to illuminate on the finding from the secondary data reviews.

The study shows that the selected case study cooperatives have considerably contributed to rural poverty reduction through agricultural cost reduction, access to market and better price for outputs to their members. However, the potentials of the cooperatives and the extent of their development have fallen short of success due to low standard of performance, narrow scope of services, poor management, financial limitations, corruptions and misuse of funds, and lack of coordinated work of stakeholders.

The findings of the study on the selected cooperatives and households show that given the willingness of the farmers to join cooperatives, the feeling of belongingness they have to the cooperatives and the participatory method of development the cooperatives have, the rural low-income population would take any opportunity to join cooperatives that would help members to end poverty at the household level.

CHAPTER ONE

1. INTRODUCTION

1.1 Background and Rationale

“With almost half of the world’s people living on less than two dollars a day, alleviation of poverty has become the biggest challenge to the human society. In response, the global campaign against poverty has gained momentum, with various development actors suggesting the use of different instruments to alleviate poverty” (Wanyama et al, 2008:1). Poverty reduction is an area of concern not only to the government of a nation but also to non governmental organizations and the society itself. This is the reason why many organizations including cooperatives are established and are being working in many part of the world aiming to ensure the wellbeing of people.

There is an emerging consensus among many actors of development including UNDP, that the cooperative enterprise is one of the new forms of organization that meet all dimensions in the reduction of poverty. The United Nations resolution on the role of cooperatives in social development recognizes the contribution and potential of cooperatives in social development and encourages member states to establish an environment conducive to their development (UN, 2009:6). Consequently, cooperatives are increasingly being presented as one of the pre-condition for a successful drive against poverty and exclusion (Birchall, 2003:12; ILO, 2003:7). Similarly, Destahun (2007:35) underlined that the use of cooperatives in fostering community development and local economic development has received great attention and emphasis with much work focused on the use of different types of cooperatives as a means for local economic development. The argument is that the emphasis is now on the promotion of development from below and from within to reduce local dependence on non-local corporations and to broaden the benefits of development to more groups within the locality.

Cooperatives have a long history in Ethiopia, particularly in the form of traditional collective action organizations, such as work groups (*jiges*, *wonfels*, *debos*), rotating savings and credit associations (*iquobs*), and burial societies (*idirs*), which are still very much present (Bernard et al, 2010:10). However, it was after the early 1950s that a formal cooperative movement began in

the country, and only in 1960 did the Imperial Government introduce the first cooperative act; “Farm Workers Co-operatives” that gave rise to the institution in its modern sense (Destahun, 2007:24). The Military Derg Regime that ruled Ethiopia from 1974 to 1991 introduced a new type of cooperative, based on more Marxist principles aimed at ending capitalist exploitation of the peasantry (Bernard et al, 2010:15). As of Bernard et al (2010), during this period, the government established a massive network of cooperatives to organize peasants, manage production and purchasing, and sell inputs and consumer goods to members. At its height, the network included more than 7,700 primary (community-level) cooperatives and 4.8 million members (ibid). However, in its true sense, the cooperative movement is reviving after the reform in the second half of the 1990s that it received a widespread popular acclaim (Destahun, 2007:25).

The current Government of Ethiopia’s various poverty-reduction strategy papers also reflect its support for cooperatives. For example, *Ethiopia’s Sustainable Development and Poverty Reduction Program*(SDPR), (Federal Democratic Republic of Ethiopia 2002:43) includes cooperatives as one of its main goals for agricultural development: “to organize, strengthen and diversify autonomous cooperatives to provide better marketing services and serve as a bridge between small farmers (peasants) and the non-peasant private sector” (Bernard et al, 2010:16). Hence, it is indicated in SDPR strategy paper of the Federal Government of Ethiopia that the government has currently recognized the developmental role of cooperatives and given a special emphasis for their establishment (Ministry of Finance and Economic Development, 2002:107). Accordingly, a new proclamation, Proclamation No. 147/1998 was issued for the establishment of cooperatives which was amended later on by Proclamation No. 402/2004.

Today there is a growing evidence of cooperatives success across the country, particularly in the area of agricultural marketing. Taking this growth of cooperatives as a very important vernacular to reduce rural poverty, the researcher wanted to investigate whether the quality of life of the rural poor has improved along with the successive development of cooperatives.

1.2 Statement of the Problem

It is well known that the small holder farmers who comprise the majority of the rural poor need effective production support and marketing services to facilitate production and sales of their produce. Production sales comprise the major source of income for the rural poor. It therefore constitutes a major means of poverty reduction for the majority of the rural poor (Walton, 2001:9).

Many scholars have indicated that cooperatives could play a very crucial role in various socio-economic development areas if they operate in accordance to the universally accepted cooperative organizing principles and core values. For instance, Alan (1984) cited in Hailu (2007:34) argued that cooperative link is important for several reasons such as developing high social capital, reduce labor mobility, and in utilization of indigenous resources such as local capital for local development. Moreover, Birchall (2003:4) stated that “cooperatives have a lot of opportunities in lifting the poor out of poverty and all other forms of deprivation. More precisely, cooperatives respond to three key concepts associated with poverty as defined by the World Bank; opportunity, empowerment, and security (World Bank, 2002:79). 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.” However, empirical evidence is necessary to show how cooperatives contribute to growth and development in smallholder-based agriculture in order to help realize their potentials.

As a result of the initiatives made by the current Federal government, as mentioned earlier, various cooperative organizations are being established in different parts of the country. Agricultural marketing cooperatives are among these organizations which operate with the intention to ensure food security, accelerate rural development and reduce poverty. To be more specific, they are expected to serve the rural poor in such areas including; provision of market and market information for members, supply of modern agricultural inputs (such as fertilizer and improved seeds), and consumer goods to the members, participation in rural infrastructural development programs such as roads, schools and clinics which may serve both members and non members (Bernard et al, 2010:17). The issue now is to find out the extent to which they are doing the same.

Nevertheless, the continuing debate on the suitability of cooperatives for poverty alleviation in Africa tends to be based on expectations rather than the empirical evidence of these organizations on the Continent (Wanyama et al, 2008:4). Cooperatives have also been viewed as state instrumentalities or parastatals, and as being less concerned about the genuine needs of their members (UN, 2009:6). Therefore, based on these realities one can ask to what extent cooperatives in Ethiopia and more specifically in Southern Nations Nationalities and Peoples' (SNNP) Regional State have contributed in reducing rural poverty? The purpose of this thesis is therefore to fill this gap by investigating the actual and potential contributions and impacts of agricultural marketing cooperatives in the reduction of rural poverty using empirical evidence from two selected agricultural marketing cooperative unions in SNNPR.

1.3 Basic Research Questions

- i. What roles do agricultural marketing cooperatives play on socio-economic development of the rural households?
- ii. What makes the agricultural marketing cooperatives useful for the rural poor? What methods do agricultural marketing cooperatives employ in the reduction of rural poverty?
- iii. How do agricultural marketing cooperatives operate? And how can one measure their success and failure?
- iv. What are the attitudes and perceptions of members about agricultural marketing cooperatives?

1.4 Objective of the Study

1.4.1 General Objective

The basic aim of this study is to explore and reveal the role, contributions, and impacts of Agricultural marketing cooperatives and investigate how they reduce rural poverty.

1.4.2. Specific Objectives

The specific objectives of the study include:

1. To investigate and analyze the benefits agricultural marketing cooperatives offer to the rural poor in terms of socio-economic development.

2. To assess the overall situation of agricultural marketing cooperatives operating in the study area and make an analysis on their strong and weak sides.
3. To evaluate the attitudes and perceptions of members in the local community toward the agricultural marketing cooperatives.
4. To identify if there are any implications that may necessitate policy amendment or initiate new policy and planning measures in cooperatives development programs.

1.5 Scope of the Study

The study on the role of agricultural marketing cooperatives in reducing rural poverty is conducted in SNNP Regional State. The study considers only two selected agricultural marketing unions in the region. The study paid particular attention to investigate the role of selected cooperatives in reducing rural poverty with respect to socio-economic development. Not all the primary cooperatives involved in agricultural input and output marketing activity found in the study area were covered. The study is confined to rural agricultural cooperatives which are engaged in agricultural input and output marketing.

1.6 Significance of the Study

The study on the role of agricultural marketing cooperatives in reducing rural poverty provides some new empirical evidences that may help us to understand the conditions under which agricultural marketing cooperatives are promoting the standard of living to the rural poor and generating rural welfare improvements in study area in particular and SNNPR, Ethiopia in general. The researcher also hopes that this thesis provides new insight for policymakers, researchers, and development practitioners.

1.7 Research Methodology

1.7.1 Design of the Research

The purpose of this study is to assess and understand the role of agricultural marketing cooperatives and their real and potential impacts on the reduction of rural poverty through socio-economic development of the rural poor. The study investigates and analyzes the cooperative business operations and their salience to members and the rural local community in selected agricultural marketing cooperative unions in SNNP Regional State. A cross qualitative and quantitative method is applied for two basic advantages. First, it is appropriate for easy

triangulation. The secondary data obtained from different sources such as Federal, regional and local cooperative offices is triangulated with primary data from members in the local community. Secondly, one method can be nested with in another method to provide insight into different levels or units of analysis (Creswell, 2008:10-13).

1.7.2 Method of Sampling and Sample Size

According to the preliminary information from Regional Cooperative Promotion Agency (RCPA), Agricultural marketing cooperatives in SNNPR had been categorized into 16 cereal and 5 coffee marketing unions. From each, one union is selected by using stratified purposeful sampling technique for the case study. The criteria put into consideration during selection of case study unions are; focusing on areas that are in the radius of 200km from the capital city of the region, Hawasa. A radius of 200km is considered to meet time and cost constraints, nature of respective areas/zones to represent the large population size and finally, prevention of zonal/areal repetition. The technique is chosen because it illustrates characteristics of particular sub groups of interest and facilitates comparisons among different groups. Then, a two-staged random sampling technique is applied in an effort to generate the necessary data and information from the representative samples of the survey population which is relatively homogeneous. The first stage involved random sampling of two primary cooperatives from each union. In the second stage, random sampling of individual members are selected from the four primary cooperatives on the basis of proportionate size on which the sampled cooperatives are organized as shown in the table, hereunder.

The selected cooperative unions and their membership

S.No.	Selected cooperative unions	Type of the union	Number of member cooperatives in the union	Number of total members in the union
1	Sidama-Elito	Cereal	56	587
2	Yirgachefe	Coffee	22	3254
	Total		78	3841
	Sample in percentage		5%	1.2%

Source: Southern Region Farmers' Cooperative Federation Members' Basic Data, Hawasa, 2010.

Accordingly, four primary cooperatives from the two case study unions are taken. These are Hafursa and Konga primary cooperatives from Yirgachefe Coffee Farmers Cooperative Union, and Kayo and Shelo-belela primary cooperatives from Sidama-Elto Farmers Cooperative Union. Stratified simple random sampling technique is applied to select the sample respondents. The rationale for using simple random sampling technique here was that, each of the cooperatives had a complete name list of their members, facilitating the use of this particular sampling method. Moreover, this technique made it possible to give every element in the population a known and equal chance of belongingness to the sample and by so doing, sample bias is either minimized or completely eliminated. Therefore, according to members' data in each corresponding cooperative office, members were categorized into strata based on Kebeles, where they are from. Then, proportionate numbers of respondents are chosen using simple random sampling technique. The sample size is made smaller due to the challenging task of conducting an interview with each respondent, the homogeneous nature of respondents, and considering the time and cost allotted for the study.

1.7.3 Method of Data Collection

A structured interview questionnaire was used as a basic tool of data collection from sample members. Together with the members' interview administration, semi-structured interviews were also applied with officials at different levels such as cooperatives' and unions' leaders and cooperative promotion bureau officials. The basic purpose of these interviews is to ascertain the historical development of the survey cooperatives, their business operations, and their salience to members in the locality as well as to address the cooperative governance aspects. In addition, it enriches and supplements the data from members. Secondary data is also compiled to shed light on the research problem from different sources such as the Federal Cooperatives Agency,

regional federation of unions, local cooperative offices, and different materials from internet. Personal observation and focus group discussions were also used in the data collection.

1.7.4 Method of Data Analysis and Presentation

To meet the intended purpose of the study, the data gathered from various sources was first edited, tallied, coded and summarized. The quantitative data summary has gone through different descriptive statistical tools such as tables, bar graphs and pie charts followed by the corresponding interpretations while the qualitative data was summarized in a report form. The analysis does not merely depend on numerical measurements; it also included respondents' perception on the issue. Finally, a discussion on basic findings is made so as to draw conclusion and recommendations.

1.8 Limitations of the Study

The researcher encountered numerous problems which affected the smooth running of the work. There were a lot of constraints as to getting information and materials for developing concepts in the thesis. Most of the data used were very difficult to come by, as the case areas were far apart, rural areas having no transportation facilities in addition to the difficulty to get the target respondents. A lot of time was wasted as the researcher visited the organizations and individuals together with government agencies to obtain valuable information for the thesis. Due to budget limitation, the researcher was limited to cooperative unions in the radius of 200km.

1.9 Organization of the Paper

This thesis is divided into four chapters. Chapter one constitutes background and rationale, statement of the problem, research questions, objectives, research methodology, scope, significance, and limitations of the study. The second chapter presents literature review that provides theoretical and empirical framework to the research. The third chapter is the main body of the research that comprises data analysis, interpretation and findings. Finally, the fourth chapter presents conclusion and recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Cooperatives Definition and concepts

The definitions of cooperatives are numerous and varied. The International Cooperatives Alliance (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”**. This suggests that cooperatives are, first and foremost, voluntary business associations formed by people of limited means through contribution of share capital that forms the basis of sharing out the profits that accrue from the business. In addition, the income generated from the enterprise can as well be used to meet other social and cultural needs and aspirations as determined by the members (Wanyama et al, 2008:3).

Individual countries tend to define a cooperative, usually in their relevant legislation, in ways that reflect the national contribution they see the cooperative model of organization making. Similarly, the Ethiopian Federal Negarit Gazeta (cooperative societies Proclamation No. 147/1998) defined cooperative society as **“a society established by individuals on voluntary basis to collectively solve their economic and social problems and to democratically manage the same”** This definition partly explains why the management of a cooperative has to be democratic: to give the members the opportunity to determine how the proceeds of the enterprise can be utilized. Of course the other explanation for this form of management is that the association is open and voluntary: a member is free to join and also cease to be a member at his/her discretion. Cooperatives emerge under different objective and subjective situations to achieve different ends. Therefore, it is difficult to find a definition that embraces the valid use of the concept “cooperative” in different economic situations. What is common however is the organizations’ main aim is geared towards the fulfillment of the needs of its members.

Cooperative societies may, according to their nature, be established at different levels from primary up to the federal level (Ethiopian Federal Negarit Gazeta cooperative societies Proclamation No. 147/1998). Cooperative societies at primary level are with individual persons as members, while cooperative unions are formed at the secondary level with cooperative

societies as the members. Thus, in the latter case, cooperative societies in the same sector within a specific geographical region could join together to form a cooperative union for purposes of mobilizing capital to invest in a bigger business venture that is beyond the reach of a single cooperative society. The same logic is used by cooperative unions to form cooperative federations and ultimately an apex organization at the national level to represent all cooperatives in the country (Wanyama et al, 2008:3).

2.1.1 Cooperative Values and Principles

The cooperative values compass-common values on which all cooperatives are based; but they may be interpreted by different traditions of cooperatives according to their operating conditions and specific environments. But still, it is possible to identify certain common characteristics and features of cooperative organizations though there are distinctive traits for every type of cooperative. Cooperatives are private sector enterprises set up to meet their members' needs. They are owned and democratically controlled by their members - a governance model distinguishing them from private firms. In principle, they are based on values of self-help, self-responsibility, democracy, equality, equity and solidarity. They cover a wide range of activities including: agriculture, financial services, manufacturing, transport, utilities, health care and funerals (DFID, 2010:5).

The cooperative principles are guidelines by which cooperatives put their values into practice. Cooperative societies have certain distinguishing principles or characteristics, which set them apart from other forms of business organizations. According to literatures, there are seven principles generally agreed upon by theoreticians and practitioners in the area. International Cooperative Alliance(ICA) (1995) stated the principles as follows:

1. **Voluntary and Open Membership:** Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
2. **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 membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at

other levels are also organized in a democratic manner.

3. **Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
 4. **Autonomy and Independence:** Cooperatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
 5. **Education, Training and Information:** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.
 6. **Cooperation among Cooperatives:** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- Concern for Community:** Cooperatives work for the sustainable development of their communities through policies approved by their members.

2.1.2 Types of Cooperative Society

Earlier literatures indicate that there were only two types of cooperatives called producer cooperatives and service cooperatives (Kebebew, 1978; Tegegne, 1984; cited in Bernard et al, 2010:15). A cooperative society may engage in production or service rendering activities or in both production and service rendering activities. As stated in Ethiopian Councils of Ministers Regulation No. 106/2004, cooperative societies of different type may be organized in any economic or social sector of the country. Cooperative societies differ from others based on their

unique nature such as their working place, establishment, function and legal personality they have.

According to cooperative society's proclamation No. 147/1998, there are about seven cooperative types that are given recognition and operating in the country. These are: agricultural cooperatives, housing cooperatives, industrial and artisan producers' cooperatives, consumers' cooperatives, saving and credit cooperatives, fishery cooperatives, and mining cooperatives.

2.2 Agricultural marketing cooperatives in Developing Countries

In developing countries, the percentages of the population living in rural areas are typically the majority; the villages are almost farmers and are distinguished by subsistence economy. Their production unit is based on the family labor which produces the food for its own consumption, and for payment of debt, taxes, and other expenses (Galor, 2009:16). Another characteristic of the agricultural marketing in rural areas lies in the fact that poor farmers in developing countries sell their produce at the harvest time as 'distress sale' because the poor have no holding power, till prices rise by the better farmers, because of pressure of several type of objectives, as to pay taxes and meet household needs children's education, clothing and other basic necessities which need urgent fulfillment (Woldu, 2007:24).

The issues and concerns in marketing relate mainly to the performance (efficiency) of the marketing system, which depends on the structure and conduct of the market. An efficient marketing system helps in optimization of resource use, output management, increase in farm incomes, widening of markets, growth of agro-based industry, addition to national income through value addition, and employment creation (Acharya, 2004:1).

Agricultural marketing cooperatives are set up in order to market and sell the marketable surpluses produced by its members such as cereals, vegetables, oilseeds, coffee, livestock, and fish produces when prices are better for their maximum benefit. So marketing co-operative is a beneficial system in which a group of farmers join together in order to carry out part or all of the process involved in bringing the produce from producers to consumers (Woldu, 2007:25).

At the same time Eberhard (1977) cited in Woldu (2007:26) has identified that the agricultural service cooperatives can engage in any of the following operations.

- a) Supplying of artificial fertilizers, selected improved seeds or plants chemicals tools and technical equipments, lubricating oil and other similar products and animal feed;
- b) Provision of financial means trough credit schemes, supply of other needs goods etc, and the arrangements for their repayment
- c) Consultation on agricultural problems with respect to choice of crops, selection of proper cultivation methods.
- d) Produce storage on farms and in the corporative establishment;
- e) Marketing of cash crops (coffee, cocoa, tea etc) by exportation and of minor crops (vegetables, citrus, fruits, etc, within the nation or outside.

2.3 Cooperative movement in Ethiopia

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 of a number of agricultural cooperatives in Ethiopia, with a membership of millions, smallholder farmers continue to be under-served, exploited and marginalized (Walton, 2001:1).

The modern form of cooperatives were formed in Ethiopia during the era of Emperor Haileselassie I. since then, it has gone through several modifications, and now it has been redefined in proclamation No. 147/1998 issued on December 29, 1998. This proclamation is consistent with the Universal Cooperative Principles and the 2002 ILO Recommendation 193. The proclamation consists of 10 parts which explain what is cooperative societies, how to form and register a cooperative, rights and duties of cooperative and so on. The progress and development of cooperative movement in Ethiopia is chronologically summarized as follows.

2.3.1 Traditional forms of Cooperation in Ethiopia

As many literatures indicate, cooperative life is very common and age-old practice among the Ethiopian communities. According to these literatures, the country has experienced various traditional/informal/institutions both in rural and urban areas for a long time. Some of such informal co operations include: Debo, Wonfel, Iddir, Iqub, Mahiber, and etc. These traditional forms of institutions are autonomous, and highly respected organizations, that perform diverse socio-economic and political activities (Kebebew, 1978:8; Tegegne, 2001:41).

The various socio-economic activities that are undertaken through such organizations includes ploughing, weeding, moving, harvesting, house construction, and conducting wedding and funeral ceremonies and so on. According to Tegegne (2001:41), the embedded social capital between the members of such organizations facilitates cooperation, information communication, trust and linkage among members, all of which are very important to undertake the aforementioned functions. However, the development potentials of such institutions has not been fully utilized yet mainly because of absence supportive legal and policy framework (Hailu, 2007:23).

2.3.2 Modern Cooperative Movement in Ethiopia

The history of modern cooperative movement in Ethiopia dates back to imperial regime, where government formally issued decrees for the first time to establish modern cooperatives (Kebebew, 1978:8; Hailu, 2007:24). The historical overview of such modern cooperative movement in the country is presented briefly in the following sections.

2.3.2.1 Pre-revolutionary Cooperative Movement

In the 1960s, two cooperative acts were adopted for the first time in Ethiopia. The first was Decree No. 44 of the 1960 called the “Farm Workers Cooperatives”. It was considered to be important in implementing the first five year development plan of the government (i.e. 1958-1962), and was meant to serve purposes of arranging cooperative production, processing, transportation and marketing of agricultural production and commodities. Moreover, it was supposed to operate and administer the livestock, machineries and other agricultural properties of the cooperatives; promote good farming and other agricultural practices; and cooperation among members of cooperatives. The spirit and provisions of these decree was to create collective production cooperatives under Ministry of National Community Development, for landless tenants. The creation of such cooperatives was taken as an alternative means to overcome pressure against an oppressive land tenure system, which was feared to entail land tenure reform, that if materialized could disturb the then existing domineering socio-economic and political order. Accordingly, 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 on a ‘piece-meal’ fashion, of course, without making any fundamental policy of structural change (Kebebew, 1978:8).

The second decree was the Cooperative Society Proclamation No.241/1966 which was part of the governments Second Five Year Development Plan (1963-1967). According to Kebebew (1978); in the 1966 decree, the government aimed at the establishment of service cooperatives, where ownership of the means of production and cultivation remains independent, but agricultural inputs and marketing are performed cooperatively. The objectives of these cooperatives include: reducing the cost of credit, reducing the cost of goods and services for production and consumption; minimizing and reducing the individual impact of risks and uncertainties, spreading knowledge of practical technical improvements; and other related activities (Hailu, 2007:25).

However, another argument states that during the imperial era, cooperatives were primarily created to support the production of high-value agricultural exports, such as coffee. Membership consisted of farmers with large landholdings and tended to exclude smallholders. By 1974, the end of the imperial era, only 149 cooperatives existed in the entire country, including 94 multipurpose, 19 savings and credit, 19 consumer, and 17 handicraft cooperatives (Bernard et al, 2010:15).

2.3.2.2 Cooperative Movement during the Military Regime (1974-1991)

The 1974 revolution of Ethiopia had brought about fundamental structural changes in socio-economic and political order of the country. It has created a significant landmark by adopting socialist line of development in 1975. According to Kebebew (1978:10), the revolution has considerably and effectively attacked some of the obstacles to cooperative movement during the pre-revolutionary period such as institutional (like land tenure system), and other financial and administrative problems. Abolishing the relationship between the landowners and the tenants, and the formation of Peasants Association at Kebele, Woreda, and Awraja levels were provided by Proc. No. 31/1975, which was issued by the Provisional Military Administrative Council /PMAC/ to put ground towards the implementation of agrarian reform. Accordingly, Proc. No. 31/1975 proclaimed for public ownership of land by abolishing private ownership, and also provided for the establishment of Peasant Associations (PAs). Besides PMAC issued Proc. No. 138/1978, which was even more imperative for the development of cooperatives, that intern were

deemed to be crucial in addressing the intended agrarian reform (Kebebew, 1978:10; Tegegne, 1988:6; Hailu, 2007:26).

There were two main types of farmers' cooperative during the Derg: service cooperatives and producer cooperatives. The former were charged with managing input supply, credit, output purchasing, milling services, and the sale of consumer goods for smallholders. The latter were collective production units that were ultimately found to be one-third less productive than individual farms (Desalegn, 1994:138; Kebebew, 1978:10; Bernard et al, 2010:15). Both types of cooperatives played a central role, alongside the *kebele* administration, in levying and collecting taxes from smallholders, extending state control to the local level, and promoting a socialist ideology. Farmers came to view these cooperatives as well as their state-appointed leaders as synonymous with government oppression. It was not until 1989 that some degree of liberalization was introduced, though it proved to be too little and too late, as the Derg was overthrown by 1991 (Bernard et al, 2010:16).

2.3.2.3 Cooperative Movement in Post – 1991 Ethiopia

Following the 1991 collapse of the military government, many radical changes have been observed in socio-economic and political atmosphere of the county. For one thing, the country has changed from centrally planned command economic policy to free market economy (Hailu, 2007: 28). It has also undergone various political and economic reforms such as decentralization, democratizations, privatization, currency devaluation and economic liberalization (Hailu, 2007:29). In line with these measures, the government acknowledged the decisive role of peasant associations such as cooperative, and made some positive policy statements towards cooperatives. Accordingly, the transitional government of Ethiopian has enacted its first agricultural co-operative law (i.e. Proc.No. 85/1994), which provided for the establishment and reorganization of autonomous and genuine primary level agricultural cooperatives that are supposed to operate in accordance with the rule of free market economy (ibid).

Moreover, The Ethiopian Government in 1996/97 prepared a draft cooperative law with the mission to enable the rural and urban working people solving their socio-economic problems based on their local resource basis. To this end, the new law proposed for the pooling of the responsibilities of organizing and promoting all types of cooperative societies under a single

administrative agency (i.e. a commission at federal level and bureau at regional levels); unlike Proc.No.138/1987 of the previous government that segregates such responsibilities to different government organs (Hailu, 2007:31). Accordingly, Federal Cooperative Commission is established by “Cooperative Commission” Establishment Proclamation No., 274/2002, which latter on renamed as Federal cooperative Agency in 2006. It is established as autonomous federal government organ, which is accountable to the Ministry of Agricultural and Rural Development (ibid).

According to Hailu (2007), legal and policy defects of the 1994 proclamation and related cooperative laws have given an impetus to the formulation and issuance of the “Cooperative Societies Proc.No.147/1998 Which provides a detailed policy rules with respect to issues such as: the formation and registration of cooperative societies; the rights and duties of members of a society; management of cooperative societies; and their special privileges. Moreover, it proclaimed for the issues of asset and funds of cooperative societies; their audit and inspection; dissolution and winding up of societies; settlement of disputes, and other miscellaneous provisions. Accordingly, with some amendments made latter on to Proc. No 147/1998 by “Cooperative Societies (Amendment) Proc. No 402/2004, which, the Council of Minister has provided for its implementation by “Councils of Ministers Regulation No. 106/2004 (Federal Negarit Gazeta, No 27/1998; and No. 43 and No. 47/2004).

Moreover, Cooperative Society proc. No. 147/1998 also provides for the establishment of cooperatives, according to their nature, at different levels into four-tier structures: the primary societies (i.e. the lowest level which is supposed to be formed by ten or more persons who live, or work within a given area, and who have common interest); the secondary level (i.e. district and regional unions formed by two or more primary level cooperative societies); tertiary level (i.e. federation of different unions at regional and/or inter-regional level); and the quaternary level or cooperative league (i.e. the confederation of all level cooperatives in the country at the national level).

Accordingly, the Government of Ethiopia’s economic growth strategy, Agriculture Development–Led Industrialization, has placed high priority since the early 1990s on accelerating agricultural growth through the commercialization of smallholder production. The

strategy has driven the introduction of policies to promote (1) a more supportive macroeconomic framework for growth and development; (2) liberalized markets for agricultural products; and (3) a strong extension and credit-led push to intensify staple production with modern inputs, especially seed and fertilizer (Bernard et al, 2010:16).

2.4 Cooperatives in Poverty Reduction

2.4.1 Poverty Definition and Concepts

Poverty is a complex concept which does not fit into a neat definition. It is multidimensional but specific to a location and a social group (Walton, 2001:3). It entails a complex interconnection of descriptors surrounding the livelihood status of people in communities. According to the World Summit for Social Development held in Copenhagen in 1995:

Poverty has various manifestations including lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion. It is also characterized by lack of participation in decision making and in civil, social and cultural life ... (Walton, 2001:3).

Given that poverty is much more complex, it is defined in this thesis as a condition that deprives the individual the basic necessities for existence like food, water, shelter and clothing as well as other fundamentals to life like health, education, security, opportunity and freedom (Wanyama et al, 2008:2). Deprivation of these basic and fundamental demands of life results into the exclusion of the individual in society due to lack of capability to function and exercise the freedom of choice.

Subsistence is the tendency in production and the emphasis is still on meeting food security needs. Most of the smallholder farmers that earn less than 2 dollars a day are not organized (Pinto, 2009:2). The smallholder farm sector in developing countries is largely left without necessary support arrangements in infrastructure, extension services, local processing capacity, basic health care and education. They have not been included in policies to enhance their businesses in the liberalized market contexts. At the same time, the price paid to farmers for their products has always been very low. This has been the result of a deliberate process led by some

governments and international technocrats. The idea was simple and classic as put by Pinto (2009:2), “Let the market function. And do not save what should not be saved. Throw the rural organizations into the water and let’s see which ones can swim.” In most cases, decade after decade, price policies have consequently punished farmers in order to benefit the urban consumers (clients of the ruling parties). For that reason, governments have been pressing prices down through price regulations and imports of staples from major producing nations. This was the case in many former Soviet States as well as in young free nations such as Mozambique, Zambia, Zimbabwe, Tanzania, and elsewhere in Africa. During this period, meetings with ministers and government officers have been painful exercises when the focus of the discussions was centered on small-scale farming or farmers’ cooperatives. The World Bank, the bilateral agencies and most of the major NGOs followed the same path. In many African countries, incentives for local farming have no longer been a priority (ibid).

However, since **the scale of poverty weights too heavily on rural people, any type of development approach which neglects the rural area cannot be successful.** Among the various rural development strategies, the **development of agricultural cooperatives holds a relatively significant promise to the improvement of small scale peasant agriculture.** (Walton, 2001:5)

2.4.2 Measurement of Poverty

As it is said earlier poverty is multi- dimensional which necessitates multidimensional indicators for measurement. The measurement of poverty can be split into two distinct operations. The first is identification of the poor and the second is aggregation of their poverty characteristics into an overall measure. The most common route to identification is through specifying a set of ‘basic’ or ‘minimum’ needs, and regarding the inability to fulfill these needs as the test of poverty (Sen, 1991:24). The underlying considerations come out most sharply in the alternative approaches to the concept of poverty that one can find in the literature. Some of these approaches have been subjected to severe attacks recently, while others have not been examined critically. There is no particular reason to suppose that the concept of poverty must itself be clear-cut and sharp. In fact, a certain amount of vagueness is implicit in both the concept and the reality (Sen, 1991:12). For this particular study, a multidimensional poverty index (MPI) developed by Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Program Human

Development Report (UNDP HDR) is preferred in order to relate it to the welfare status of the people under study.

The MPI is a new international measure of poverty covering 104 developing countries (OPHI, 2010:1). The MPI complements income poverty measures by reflecting the acute deprivations that people face at the same time. It identifies people who contended with multiple deprivations across three dimensions: education, health and living standards. The three dimensions of MPI use 10 indicators which largely reflect the Millennium Development Goals (MDGs) and thus international standards (ibid).

Inside the MPI

1. Education

Year of schooling – deprived if no household member has completed five year of schooling.

School attendance – deprived if any school aged child is not attending school in years 1 to 8.

2. Health

Child mortality – deprived if any child has died in the family.

Nutrition – deprived if any adult or child for whom there is nutritional information is malnourished.

3. Standard of living

Electricity – deprived if the household has no electricity

Drinking water –deprived if the household does not have access to clear drinking water or clear water is more than 30 minutes walk from home.

Sanitation – deprived if the household does not have adequate sanitation or if their toilet is shared.

Flooring – deprived if the household has a dirt, sand or dung floor

Cooking fuel – deprived if the household cooks with wood, charcoal, or dung.

Assets – deprived if the household does not own more than one of radio, TV, telephone, bike, motorbike, or refrigerator and does not own a car or tractor.

The components of the model can be summarized diagrammatically as follows.



Source: Oxford Poverty and Human Development Initiative (OPHI), 2010

2.4.3 The potential roles of cooperatives in development

In his report to the General Assembly of the UN on cooperatives [document A/49/213 of 1 July 1994], the Secretary-General concluded,

“Cooperative enterprises provide the organizational means whereby a significant proportion of humanity is able to take into its own hands the tasks of creating productive employment, overcoming poverty and achieving social integration.” He added that cooperatives have **“continued to be an important means, often the only one available, whereby the poor, as well as those better off but at perpetual risk of becoming poor, have been able to achieve economic security and an acceptable standard of living and quality of life.”**(Imoisili 2001:6).

Imoisili (2001) further classifies the role of cooperatives into six major areas as: empowerment of men and women, gender equality, pro-poor growth, global benefit from global competition, an enabling environment for pro-poor policies and market, and special international support.

Regarding the marketing role of co-operatives, many literatures indicate that their role is very vital in providing marketing service, especially for rural communities. For instance, Woldu (2007:24) has noted that such service of cooperatives are even better appreciated when one considers the incidence of illiteracy among farmers especially in developing countries, and the ancillary functions connected with marketing of agricultural produce such as grading, weighing,

storage and looking for the best market. In line with this argument, Woldu also noted that individualistic systems of agricultural product marketing remains inefficient for a number of reasons such as in economies of scale, lack of strong bargaining power, vulnerability to buyers side exploitation due to high dependence of farmers on traders, inappropriate post harvest handling (i.e. grading, transportation, storage etc), and processing and long marketing chains. Thus, the role of farmers' cooperatives in marketing farm output thereby reduces the costs of moving agricultural commodities from farmers to consumers and improving farmers' bargaining power in the country's expanding market economy (Woldu, 2007:25).

Cooperatives are expected to assist smallholders in aggregating their surplus output, realizing scale economies in marketing, and bargaining for better terms of trade in the marketplace. They are also expected to serve as a means of identifying the rural poor, securing grassroots partners for state and non-state development programs, and representing the voice of the rural poor in local governance systems. In short, cooperatives are viewed as a key institutional mechanism to improve rural livelihoods (Bernard et al, 2010:70).

Furthermore, several scholars and researchers analyzed and discussed the role of cooperatives in different ways. Though the roles cooperatives can play differ from country to country, from one system of government to another system of government and one type of cooperative to another type, DFID (2010:3) described the most common of them which characterize most cooperatives in a summary form as follows:

1. Cooperatives can be significant economic players that contribute to sustained growth processes

The top 300 global co-operatives have a combined turnover of US \$1.1 trillion. Cooperatives employ over 100 million people (more than multinational corporations) and contribute to increased agricultural productivity, expanded access to financial services and critical utilities such as electricity. Cooperatives can make a significant contribution to GDP (DFID, 2010:3).

2. Cooperatives help create more equitable growth

Cooperatives can help make markets work better for poor people, by generating economies of scale, increasing access to information, and improving bargaining power. Cooperatives can have

millions of members and many operate in the informal sector where they can transform the survival activities of the poor into viable livelihoods. Cooperative profits are re-invested in the business or shared with members so the rewards of enterprise are retained locally. Coalitions between the poor and not-so-poor in one cooperative can help improve the performance of the enterprise and reduce the poverty of its poorer members.

3. Cooperatives help tackle rural poverty

Cooperatives increase the productivity and incomes of small scale farmers by helping them collectively negotiate better prices for seeds, fertilizer, transport and storage. Cooperatives help farmers expand market access and capture more of the value chain - for example, by getting involved in processing activities. Farmer groups can help farmers move out of poverty, and cooperatives are one form that these groups can take. Cooperatives are often the main channel through which smallholders can access fair-trade.

4. Cooperatives expand poor people's access to financial services

These include credit savings and in some cases insurance and remittances. These services can support enterprise start-up and expansion; enable the risk taking that can lead to increased profitability; and reduce vulnerability by allowing the poor to accrue savings, build assets and smooth out consumption. Cooperatives are active across the financial sector – from micro finance to mainstream banking. Cooperatives are one of the largest providers of micro finance services to the poor, and some cooperatives have become major financial sector players. A 2007 IMF study found that cooperative banks are more stable than commercial banks. This finding is due to the lower volatility of the cooperative banks' returns, which more than offsets their lower profitability and capitalization. This is most likely due to cooperative banks' ability to use customer surplus as a cushion in weaker periods (DFID, 2010:3).

2.4.4 Cooperatives and Members' Expectations

Member is a radiant factor from which the power of agricultural cooperatives emanates (Prakash, 2000:8). Member is the key and the main source of economic strength of the cooperative. A member should not feel that he/she is dependent on the cooperative. He/she has several other options which may not be as economically attractive. It is the cooperative which should be

dependent on the member. It is often heard that cooperatives do not do enough for them. For the cooperative, the focus should be on the member and his/her business potential, rather than on itself. The main point is that the members should not run after their cooperatives to provide them with services and facilities – it should be the cooperative which should, on its own, be keen to offer a variety of services and facilities to the members which they need (ibid).

Farmers need money and that money has to be a reasonably good return for the investments made. To secure returns, two factors are very important: *Value-addition* and *Marketing*. The process of marketing is more difficult than that of production. It requires an intimate knowledge of market trends. It should be scientific and well-organized, otherwise the farmer runs the risk of not getting the full value of his produce and the investment made. In cases where cooperatives are not able to respond to the marketing needs of the members, middlemen thrive and the farmer-members get sucked into the vicious circle which the cooperatives are supported to break. Provision of post-harvest services, warehousing, grading, packaging, shipment, and market information are the essential links in the chain of marketing (Prakash, 2000:8).

Cooperatives are often blamed for non-performance mainly due to lack of participation on the part of their members. In agricultural cooperatives the entire business moves around the economic benefits which the members expect from their cooperative. Farmer members are eager to sell their produce and obtain timely and sufficient funds to increase their produce. Their expectations from the cooperative generally revolve around: Guidance, advice and support in matters of farm technology; Supply of farm inputs e.g., fertilizers, farm chemicals, farm machines and implements etc.; Easy accessibility to the sources of credit for purchase of improved seeds, maintenance of fields, investments in long-term items e.g., tube wells, farm cattle etc.; Assistance and advice on environment-related issues e.g., disposal of animal wastes and others; Improvement and development of infrastructure e.g., grading centers, packaging facilities, forwarding facilities, plastics and pipes etc (ibid).

Farmers on their own individual strengths cannot harness all these services and facilities. They would naturally expect their cooperative to develop such services and provide them when needed. Members also expect their cooperative to find suitable marketing avenues, which involve: supply of market information, warehousing, value-addition possibilities by erecting

some agro-processing facilities and maintaining some business contacts with wholesale markets and bulk buyers.

These expectations naturally become the responsibilities or tasks to be undertaken by the management leaders of the cooperative, which include the Board and the managers. It then becomes a plan of action for the cooperative. All efforts are then made to implement the plan. If the expectations are not met members get disjoined from the cooperative. Their participation in business and organizational affairs get reduced, which a cooperative can hardly afford (Prakash, 2000:14).

2.4.5 The need for the formation of Agricultural marketing cooperatives

Formation of agricultural marketing cooperatives points out two major reasons: solve market failures and to address distortions in the supply chain (Nimble, 2005:1). Furthermore, Nimble (2005) stated that the need for formation of agricultural marketing cooperatives lies on the elimination of middle person (unnecessary profits in trade and commerce) and promotion of socio-economic well-being of their members, in the long run, among the people.

Market failures have mainly been in the form of exploitation of individual farmers or producers largely by market intermediaries resulting in remunerative prices not reaching the individual producers. Distortions in supply chain are mainly through market intermediaries who get into a win-win situation for themselves both from the supply of raw material or agricultural inputs to the disposal of the produce. Global studies on agricultural produce markets have revealed that supply chain inefficiencies contribute to as much as 30-50% loss of revenue to the producer. (Nimble, 2005:2)

Thus individual producers-typically small and medium farmers who do not have a great deal of negotiation powers due to 1) quantity and value of the assets they have, 2) carrying capacity-both financial and infrastructural, 3) volume of operations; 4) lack of market information and 5) lack of access to formal financing mechanism in absence of collaterals(ibid). This relationship also prevents the individual farmers in seeking alternative market mechanisms because loans against no collaterals also means advance mortgaging their produce to the market intermediaries who discount procurement prices and sale at market prices making high profits. Since the cooperatives are formed around a commodity or group of similar commodities, it enables the

members to pool their resources and thus take advantages of economy of scale. The economy of scale provides benefits at all level of supply chain starting from the procurement of raw material or agricultural inputs to economical warehousing facilities; to leveraging of transportation costs, processing and finally marketing eliminating intermediaries. Consequently, cooperatives are always found to be engaged in economic activities promoting increase in income and thereby enhancing living standards.

2.4.6 Benefits gained from agricultural marketing cooperatives

Cooperation in agriculture has been in practice since the Babylonian civilization, before Christ. However its present form owes its genesis to the industrial revolution in Britain in the 19th century (Nimble, 2005:1). The cooperatives were formed to take advantages of economies of scale against exploitation by middlemen and traders and share the benefits “equitably” among the members. Most agricultural cooperatives are formed around a common “commodity” or “group of similar commodities” e.g. thrift cooperatives around savings and credit (Asia & Africa), dairy cooperatives around milk (India), oilseeds cooperatives around oilseeds (India), coffee growers cooperatives around coffee (Ethiopia) etc (ibid). The principle of formation and management of cooperatives, as the term itself refers, is the promotion of cooperation among members for common good, equitable ownership of the enterprise thus formed and profit distribution in share of the patronage by members.

Agricultural cooperatives can help farmers get a better deal at various stages of production and distribution (Prakash, 2000:9). Through membership in a cooperative, farmers are collectively able to negotiate better prices for inputs, transport and storage facilities. Cooperatives can also help them expand access to markets and capture more of the value chain, for example by getting involved in processing activities.

The other benefits are social in nature. As experiences have shown that the cooperative model allow for employment of local youth. Creation of social cohesion, creation or to upgrade societal infrastructure (mainly education and health awareness, creation of employment opportunities, updated market information, quality consciousness, education on power of collective action, common goods etc.). Cooperatives also enable their members to leverage finance at softer

interest rates and attract international development agencies to even provide grants for societal infrastructural development and investment in other livelihood opportunities (Nimble, 2005:3).

2.4.7 Working with Cooperatives for Poverty Reduction

Cooperatives provide a range of services such as health care, housing, and utilities such as water and electricity. Cooperatives have been successful in expanding access to water and electricity for poor people and reducing wastage from illegal diversion of utilities. In Bangladesh, as in the US, rural electricity cooperatives were set up to meet communities' own needs in the absence of any external private firm seeing this as a viable market opportunity, in Bangladesh cooperatives serve about 28 million people, with start up support from DFID and USAID (DFID, 2010:4).

Cooperatives can provide an opportunity for self determination and empowerment of poor people. They foster a culture of good citizenship and enable their members to have a voice and participate in a democratic process, thus having empowering development effects beyond their economic benefits.

Cooperatives can help with conflict resolution, peace-building and social cohesion. Where cooperatives bring together people of different religious, ethnic and political groups they can build trust and solidarity leading to greater social stability. Cooperatives have been found to contribute to recovery from conflict by fostering positive relations between ethnic groups previously in conflict in Bosnia, East Timor, Lebanon, Macedonia, Mozambique, Nepal and Rwanda (ibid).

The empirical evidences form across-countries by ILO seem to substantiate such theoretical underpinnings. For instance, according to ILO (2001:15), 33% of the agricultural market in the United States; and 40% of local agriculture in the Republic of Korea was marketed through cooperatives as of 1998. Moreover, during this period, the cooperatives were reported to have a share of 40% of total national export in Uruguay; 69% of farm supply in Denmark; and 37% of consumer goods supply in India, among others. Hence, such significant market shares hold by cooperatives in the production and distributions of various products and/or services validate their macroeconomic importance with these regards (Imoisili, 2001:3; DFID, 2010:8).

2.4.8 The Role of Cooperatives in Rural Socio-Economic Development

Cooperatives can effectively create and maintain employment (both direct/ salaried/ employment, and self employment) in both urban and rural areas of the world. They can provide self-employment through millions of worker-owned production and service delivery activities (producer cooperatives); by promoting resource mobilizing and saving for productive investment as in the case of (financial cooperatives); and provision of affordable goods and services, and thereby enable the community to save a proportion of their income for investment (consumer cooperatives). Similarly, user-owned cooperatives such as housing, utility, health, and social care cooperatives provide affordable access to basic services and help them to get access to various self-employment opportunities (Woldu, 2007:37).

On the other hand, cooperatives can create enormous direct or salaried employment opportunities by engaging themselves in various sectors of the economy such as production, marketing, processing and so on. According to ILO (2001), in a number of African countries and some other countries around the world, cooperatives are said to be the second largest employer surpassed only by the government. The practical employment data of many countries around the world seems to justify this theoretical foundation. For instance, the data on self-employment and direct employment indicated by Committee for the Promotion of Agricultural Cooperatives (COPAC) for some African countries shows that there were 220,713, and 58,468 self employment and direct employment respectively in South Africa in 1997; while the 1996 corresponding figure for self-employment and direct employment were 91,035 and 3,235 in Ghana; 27,792 and 42,709 in Morocco; 32,168 and 8,455 in Uganda; and 23,424 and 494 in Zimbabwe respectively (Woldu, 2007:38).

Cooperative form of enterprises can assure any group of individuals an effective means to combine their resource, however small they are (COPAC 2000:17). By doing so, they permit a large resource mobilization than what could be possible within the capacity of most individuals and small enterprises, and can serve as a catalyst for local entrepreneurial growth; retain the capital mobilized by the communities within the communities and the surplus derived from outside transactions, both of which are very crucial in bringing further development to give local area. Moreover, cooperatives have the greatest direct economic impact at the micro level in creating additional income for their members. They achieve this by securing higher prices for

members' products lowering input costs for members, by creating employment opportunities and by introducing technological innovations. Besides, they can provide consumable goods, deliver education, housing and other socio-economic service as lower price, and thereby help the local community save their income for further investment (ILO, 2001:16; COPAC, 2000:1-4).

Hence, successful cooperatives enable their members generate more income by improving the member productivity or the productivity of the member enterprises; and by improving market position of the members as producers, consumers, and employees. Besides, they can enhance income generating capacity of members by improving their access to material and non-material resources; and by helping them sustaining their income, production level and prices. Furthermore, by improving the local communities (members) overall living condition through provision of social and physical infrastructures, and by improving their know-how (i.e. through formal and informal education and training), and by enhancing their standard of information, cooperatives can encourage local resource mobilization and income diversification, and there by promote local economic development (ibid).

CHAPTER THREE

3. DATA PRESENTATION AND ANALYSIS OF SAMPLE COOPERATIVES IN THE TWO SELECTED AGRICULTURAL MARKETING COOPERATIVE UNIONS

3.1 Data Presentation and Analysis of Sample Cooperatives in Yirgachefe Coffee Farmers Cooperative Union

3.1.1 Background of Yirgachefe Coffee Farmers Cooperative Union

As its name implies, Yirgachefe Coffee Farmers Cooperative Union (YCFCU) is farmers' cooperative union that is engaged in production, processing and marketing of coffee. YCFCU is found in Yirgachefe woreda, Gedeo zone of Southern Nations Nationalities and Peoples Region which is one of the most famous coffee growing zones in the country. The environmental condition of Gedeo zone is characterized by Woina dega, known to be comfortable for varieties of products specially, for the union's specific area of engagement that is organic coffee production.

YCFCU is established in June 2002. Currently, the union is engaged in production, processing and marketing of coffee that is categorized as marketing of members' agricultural products. Additionally, provision of marketing information, introducing agricultural technologies, provision of training and provision of warehouse and transportation services to members are included. From Yirgachefe Coffee Farmers' Cooperative Union, there are two primary cooperatives sampled for the investigation. These are **Hafursa and Konga**. Both of them are located in Yirgachefe woreda and engaged in Coffee Marketing. Hafursa covers two kebeles; Hafursa Harja and Hafursa worbi While, Konga covers three kebeles; Konga wote, sega and Birbiskela.

3.1.2 Basic Socio-demographic characteristics of sample respondents

The table below represents the basic socio-demographic characteristics of respondents from sample primary cooperatives, Hafursa and Konga in Yirgachefe coffee farmers' cooperative union. As shown in the table, 90% of the respondents were male and the remaining 10% female. The age groups of 26-55 are majority in the cooperatives.

With respect to respondents educational status, out of the sampled household, 22.5% were illiterate or had not received any type of education, and 12.5% got basic education or knew read and write only. The rest of the sample respondents had attended elementary- 42.5%, high school 17.5%, preparatory (senior high school) 2.5% and the rest 2.5% belongs to others category which includes diploma and technique schools. Concerning the occupational status or work category all sampled respondents are farmers.

As shown in Table 3.1, 52.5% of the respondents have a household size of 6 to 9 members followed by the range from 10 to 12 accounting 35% the remaining 10% and 2.5% belonging to below 6 and above 12, respectively.

Table 3.1 Basic Socio-demographic characteristics of the Sampled Respondents

S.No	Description								
1.1	Sex	Male	Female	Total					
	No. of respondents	36	4	40					
	Percentage	90%	10%	100%					
1.2	Age	Below 18	18-25	26-35	36-45	46-55	Above 55		
	No. of respondents	Nil	2	11	11	11	5		
	Percentage	Nil	5.00%	27.50%	27.50%	27.50%	12.50%		
1.3	Educational Level	Illiterate	Read & Write only	Elementary (1-8)	High School (9-10)	Preparatory (11-12)	First Degree	Msc/MA	Others
	No. of respondents	9	5	17	7	1	Nil	Nil	1
	Percentage	22.50%	12.50%	42.50%	17.50%	2.50%	0.00%	0.00%	2.50%
1.4	Household Size in no.	Below 6	(6-9)	(10-12)	Above 12				
	No. of respondents	4	21	14	1				
	Percentage	10.00%	52.50%	35.00%	2.50%				

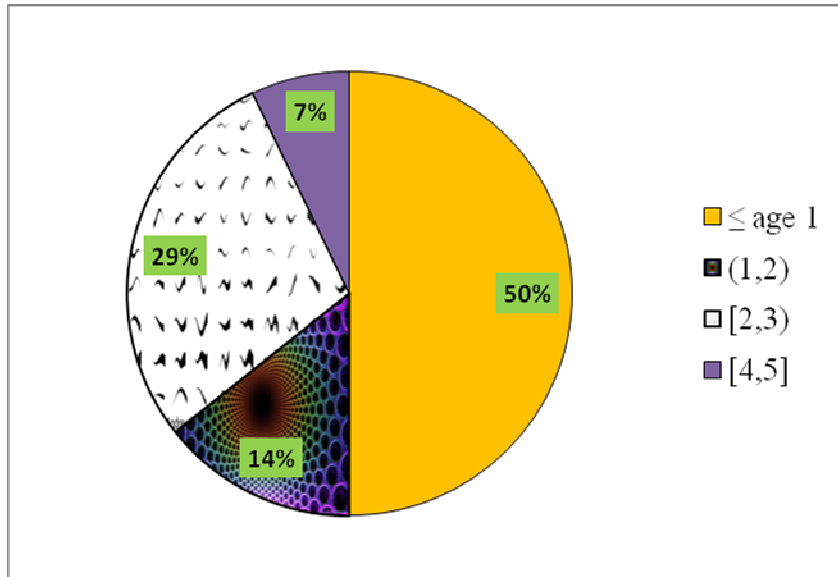
Source: Own field survey, 2011

3.1.3 Welfare status of sample respondents

The general welfare status is referred to be the quality of living and assessed according to the multidimensional poverty index (MPI) across three dimensions; education, health and living standard. Accordingly, from the households of sample respondents, 45 % had children aged 5 and above not attending school. On the other hand, 35% of the sample household respondents had mortal children. As shown in figure below, 50% of the mortal children died at the age of less

than 1, 14% at the ages of 1 to 2, around 29% at the age from 2 to 3, and the remaining 7% at the age of 4 to5.

Fig. 3.1 Age Range of Mortal Infants



Source: Own field survey, 2011

Concerning the electricity coverage in the study area, 45% of sample respondents reported to have electricity facility while 55% of the respondents' households were deprived of the facility. Of those who reported to have the facility; only around 28% had got from cooperatives, the majority of the rest (61%) from government and the remaining 11% from NGOs.

On the other hand, only 35% respondents stated that their household had got access to clean drinking water from which 40% walk less than 10 minutes from their home to get access, around 33% 10 to 20 minutes, 20%, 21 to 30 minutes and only the remaining 7% walk more than 30 minutes from home to get the same .

Government is the most dominant stakeholder to provide clean drinking water to the study area and provided the facility to around 86% of the beneficiary respondents and the remaining 14% got the facility form NGOs. Cooperatives' contribution is nothing in this case.

In response for the type of toilet used by the household, all the sampled respondents replied to have own built private toilet.

As shown in the table below dirt is used for flooring by majority (80%) of the sample respondents. The remaining respondents used sand and dung in the percentage of 17.5% and 10%, respectively. And, 7.5% used combination of two or more of the materials.

Almost all (95%) of the respondents used wood as their basic cooking fuel. 10% used charcoal and 20% used dung for cooking. Moreover, 25% respondents used two or more of the materials alternatively.

Table 3.2 Material used for flooring and Cooking

Materials used	Dirt	Sand	Dung
For Flooring	32	7	4
Percentage	80.00%	17.50%	10.00%
Materials used	Wood	Charcoal	Dung
For Cooking	38	4	8
Percentage	95%	10%	20%

Source: Own field survey, 2011

With regard to asset ownership, out of the sample respondents majority of them (87.5%) owned radio, 27.5% possess telephone integrating fixed telephone and mobile, 12.5% owned Television, 5% Bike and only 2.5% Refrigerator. However, 77.5% of the respondents reported that they have other types of properties which of course may not be considered as home equipments, cattle.

Table 3.3 Asset ownership status of the respondents

Assets	Radio	Television	Telephone /Mobile/	Bike	Refrigerator	Others
No. of Respondents	35	5	11	2	1	31
Percentage Share	87.5%	12.5%	27.5%	5.0%	2.5%	77.5%

Source: Own field survey, 2011

3.1.4 Membership in the cooperatives

With respect to the respondents status of relationship with the cooperatives, 82.5% were members only and the remaining 17.5% were member as well as working in the cooperatives and as of the response of sample respondents there was no external push in joining the cooperatives as all of them joined the cooperatives willingly.

As presented in table 3.4, getting periodic dividend is chosen as highly important reason for joining cooperatives by 67.5% of respondents 25% considered it as critically important and the remaining 7.5% considered it as moderately important reason. Almost contrarily, to get access of employment by the cooperative was taken as not important, and slightly important reason for joining the cooperatives by 32.5% and 50% of sample respondents. In similar analysis of the table, to get access to credit or loan was selected by 20% as not important at all and 27.5% of respondents as slightly important the other 20%, 17.5% and 15% of respondents chosen it to be moderately important, highly important and critically important respectively.

To get access to inputs market is highly important reason of joining cooperative for 50% respondents, moderately important for 27.5% of respondents, and slightly important and not important for 12.55% and 10% of respondents respectively. 52.5% of sampled respondents chosen to get access to output or produce market to be critically important reason of joining cooperatives followed by 40% respondents choosing it as highly important reason. To get access to consumer goods was chosen to be highly important reason by 37.5% of respondents followed by moderately important and critically important reason by 35% and 32.5% of respondents respectively, 17.5% selected it as critically important reason and only 7.5% and 5% of respondents selected it as not important reason for being member in cooperatives.

Table 3.4 Reasons for joining cooperatives

Reason	Not important	Slightly important	Moderately important	Highly Important	Critically important
To get Periodic Dividend	Nil	Nil	7.50%	67.50%	25.00%
To get access for employment	32.50%	50.00%	15.00%	2.50%	Nil
To get access for Credit/Loan	20.00%	27.50%	20.00%	17.50%	15.00%
To get access for input market	10.00%	12.50%	27.50%	50.00%	Nil
To get access for output market	2.50%	Nil	5.00%	40.00%	52.50%
To get access to consumed goods	7.50%	5.00%	27.50%	37.50%	22.50%
To get access for Trainings	7.50%	5.00%	32.50%	35.00%	17.50%

Source: Own field survey, 2011

As indicated in table 3.5 greater proportion (62.5%) of respondents reported ability to contribute the initial capital as a critically important for getting cooperatives membership followed by 30% of respondents corresponding to highly important criteria.

Ability to pay periodic payment was not considered as criteria for almost all the respondents as 57.5% said it is not important and 40% less important.

Promise to buy the corporative product/service got 45% vote to be highly important criteria followed by 27.5% vote to be moderately important while promise to sell outputs to or through cooperatives got vote of 52.5% and 30% to be highly important and critically important criteria for being member in cooperatives respectively.

Table 3.5 Criteria for getting membership of the cooperatives

Criteria	Not important	Less important	Moderately important	Highly Important	Critically important
Ability to contribute the initial capital	Nil	2.50%	5.00%	30.00%	62.50%
Ability to pay the periodic payment	57.50%	40.00%	2.50%	Nil	Nil
Promise to buy the cooperatives product/service	20.00%	5.00%	27.50%	45.00%	2.50%
Promise to sell outputs to/through the cooperative	Nil	Nil	12.50%	52.50%	35.00%

Source: Own field survey, 2011

With regard to the affordability of membership contributions, almost all respondents (92.5%) agreed that the registration fee is low and more than half (55%) agreed that the share price is moderate followed by 27.5 % saying the share price is low. On the other hand, all correspondents agreed that there were no periodic payments expected from members once they got full status of membership.

Table 3.6 Affordability of membership payments

Factors	Not Applicable	Very Low	Low	Moderate	High
Registration Fee	Nil	2.50%	92.50%	5.00%	Nil
Share price	Nil	2.50%	27.50%	55.00%	15.00%
periodic contribution	100%	Nil	Nil	Nil	Nil
Length of time for periodic payment	100%	Nil	Nil	Nil	Nil

Source: Own field survey, 2011

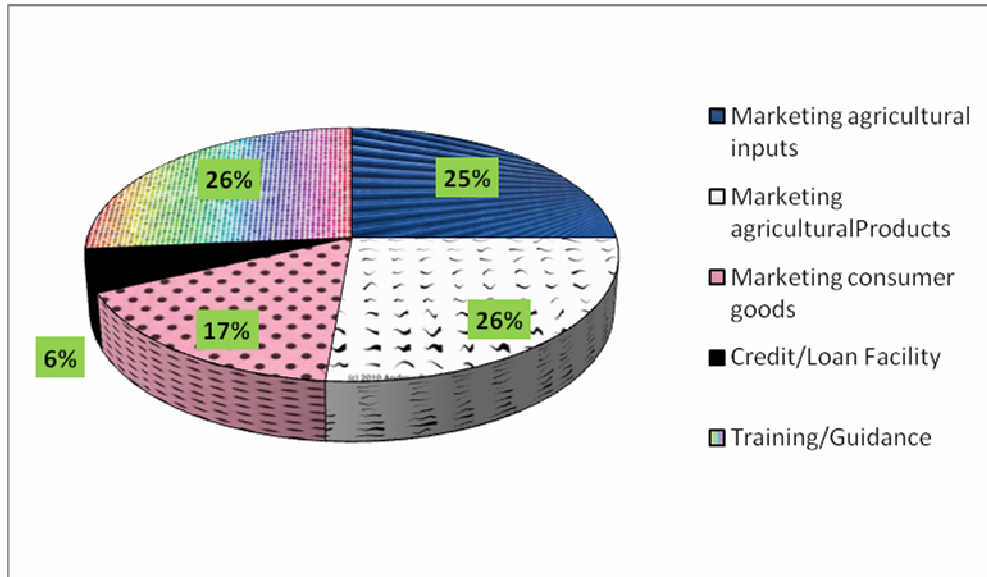
3.1.5 Services of the cooperatives

Regarding the services of the cooperatives in the study area, there are about five types of services that members got from their cooperatives though the extent and coverage varies.

Accordingly, as shown in the pie chart below, 26% of the respondent reported of getting marketing of agricultural products and training or guidance service equally. The next 25% assured that they got marketing agricultural inputs, 17% of respondents got consumer goods

marketing for their cooperatives and the smallest non-zero percentage goes to credit or loan facility.

Fig. 3.2 Service Types Rendered by cooperatives

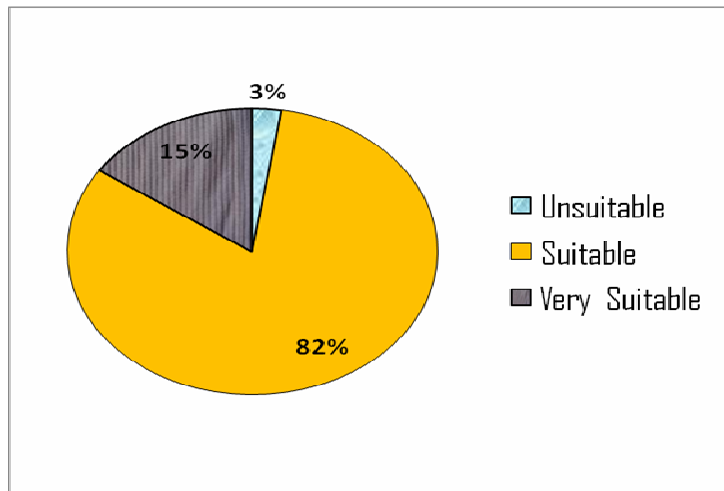


Source: Own field survey, 2011

In comparison to other currently available options, the access and quality goods/services of the cooperatives are highly better for 75% of sample respondents and slightly better for the remaining 25% respondents. Respondents were also asked whether they got cooperative services on credit and almost all of them (97.5%) replied yes to the question.

As of the pie chart below, the loan repayment arrangement of the Hafursa and Konga cooperatives in Yirgachefe Cooperative Union is suitable for the highest proportion of respondents (82%), very suitable for 15% of the respondents and unsuitable for only 3% of the respondents.

Fig.3.3 Suitability of Loan repayment



Source: Own field survey, 2011

As of the table shown below, 52.5% of the respondents replied that the cooperatives in the study area purchased products from their members on cash basis while for the remaining 47.5% of the respondents the cooperatives purchased on both cash and credit basis.

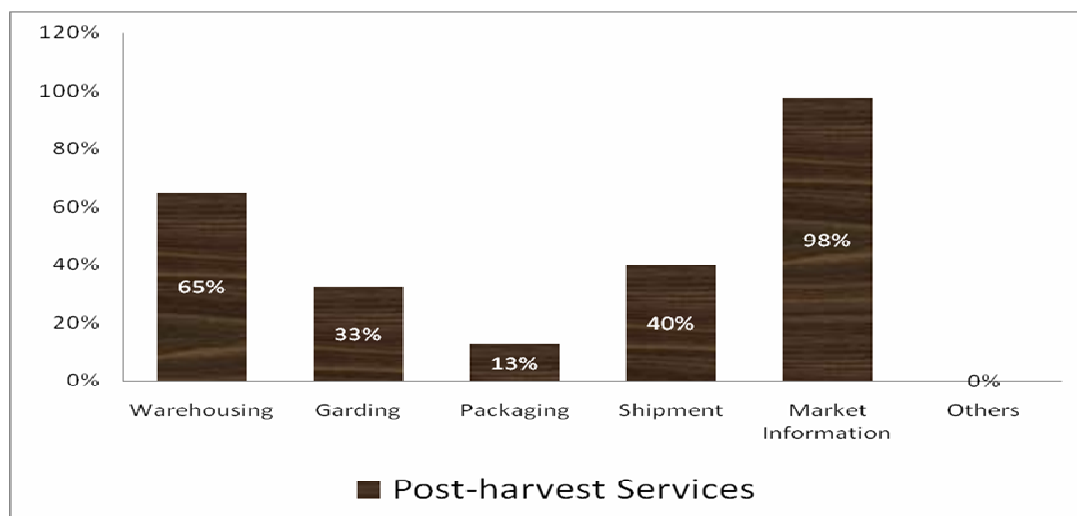
Table 3.8 Transaction basis for purchasing the cooperative's product

Means of Transaction	On Cash	On Credit	On Both
No. of Respondents	21	Nil	19
%age Share	52.50%	Nil	47.50%

Source: Own field survey, 2011

In addition to their major purposes of formation literatures indicate that agricultural marketing cooperatives provide other post harvest services to their members, which include warehousing, grading, packaging, shipment, market information and others. According to the data from the figure below, almost all (97.5%) of the respondents got market information from their cooperatives, 65% got warehousing service, 40% got transportation or shipment service, 32.5% grading service and only 12.5% got packaging service.

Fig.3.4 Post-harvest Services



Source: Own field survey, 2011

For 77.5% of the respondents, there was education, training or information given by their cooperatives. However, the rest 22.5% of the respondents got neither of them.

From those who got training from the cooperatives 80% reported that the training was focusing on cooperative natures and benefits, 60% reported the focus was on how to generate income from different sources and 25% reported the focus was on how to apply new technologies. On the other hand, none of them reported as the cooperatives involved in political trainings.

Table 3.9 Focus Points of training and education

Focus Points for training and education selection	No. of Respondents	Percentage
Cooperative nature and Benefits	31	100%
How to apply new Technologies	10	32.26%
How to generate income from different sources	24	77.42%

Source: Own field survey, 2011

In looking at respondents rating of quality and accessibility of the two agricultural marketing cooperatives in the study case area, the table below shows that 65% of the respondents believed that fairness of market price is highly improved 35% believed that market proximity or availability of market at nearby places are highly improved, 30% believed adequacy of market

sources is highly improved and 22.5% believed availability of market at any time needed is highly improved. In similarly analysis of the table, 67.5% of the respondents thought that adequacy of market services are somehow improved. Availability of market at any time, market proximity and fairness of market price were also said to be somehow improved by 62.5%, 52.5% and 35% of respondents respectively.

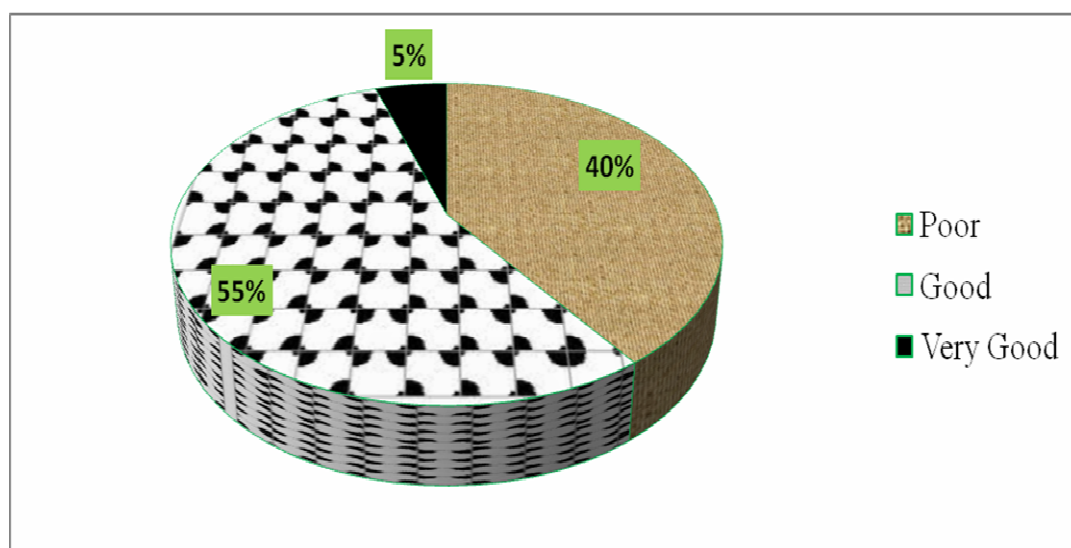
Table 3.10 Accessibility and quality of traded goods/services

Accessibility and quality of traded goods/services	Deteriorated	Similar	Somehow improved	Highly improved
Adequacy of Market Services	Nil	2.50%	67.50%	30.00%
Availability of market at any time	2.50%	12.50%	62.50%	22.50%
Availability of market at Short distance	Nil	12.50%	52.50%	35.00%
Fairness of the market Price	Nil	Nil	35.00%	65.00%

Source: Own field survey, 2011

As expressed by the chart below, more than half of the respondents (55%) gave their opinion on the achievement of cooperatives in introducing new agricultural technologies to be good. 40% evaluated their achievement to be poor and only 5% of the respondents' evaluation goes to very good achievement of cooperatives' in introducing new agricultural technologies to their members and the community.

Fig.3.5 Introduction of New Agricultural Technologies by Cooperatives



Source: Own field survey, 2011

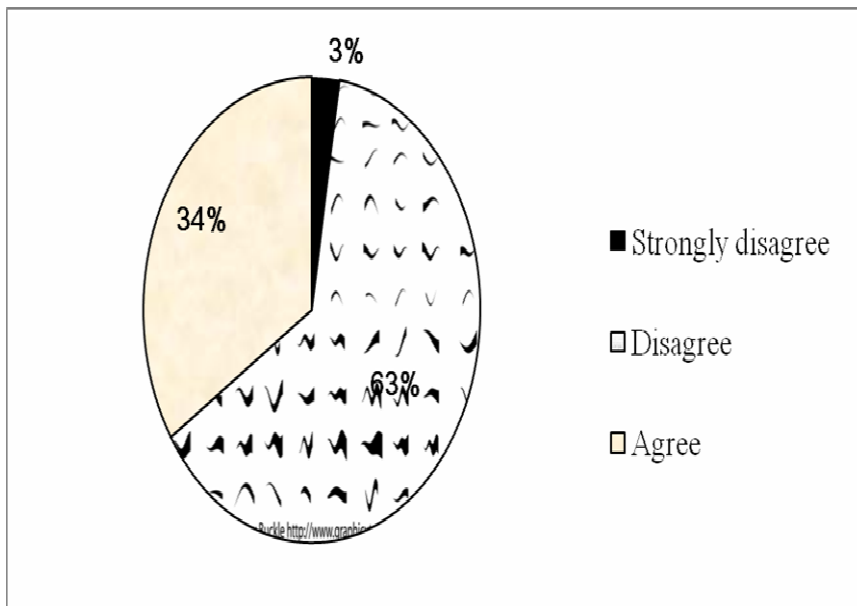
3.1.6 Economic benefits of the cooperatives

According to nearly all of sample respondents (95%), studied cooperatives paid regular dividends to their members. The remaining 5% of the respondents argued that the dividend payment was not regular. It is based on level of profit generated.

And all of the respondents, who said there was dividend payment by the cooperatives, explain as the dividend payment is made annually.

As the chart below clearly enumerates, 63% of the respondents who reported the payment of dividend by cooperatives, disagree with the statement that “the dividend paid by the cooperatives is sufficient to fulfill basic requirements of the households.” 34% of the respondents agree with the statement while the remaining 3% strongly disagree.

Fig.3.6 Opinions on Dividends Paid by Cooperatives



Source: Own field survey, 2011

From those respondents who receive dividend from their cooperatives all used the dividend received for personal and family consumptions. In addition, 26% allocated for repayment of debt or loan, 18% allotted for purchase of fixed assets and only 5% deposited or saved in a bank.

Table 3.11 Utilization of income from Dividends

Utilization of income from Dividends	No. of Respondents	Percentage
Personal & Family consumption	38	100.00%
Repayment of Debt/Loan	10	26.32%
Deposit in Bank	2	5.26%
Purchase/Building of Fixed Assets	7	18.42%

Source: Own field survey, 2011

The dominant share of the respondents (92.5%) thought that being member of cooperatives improved their expenditure. From which 65% said that the improvement is by smoothening consumption, 38% by investing in long term items, and 32% by increasing saving. Moreover, from those who invested in long term items, about 36% built house, about 29% purchased farm aids and about 43% purchased home equipments.

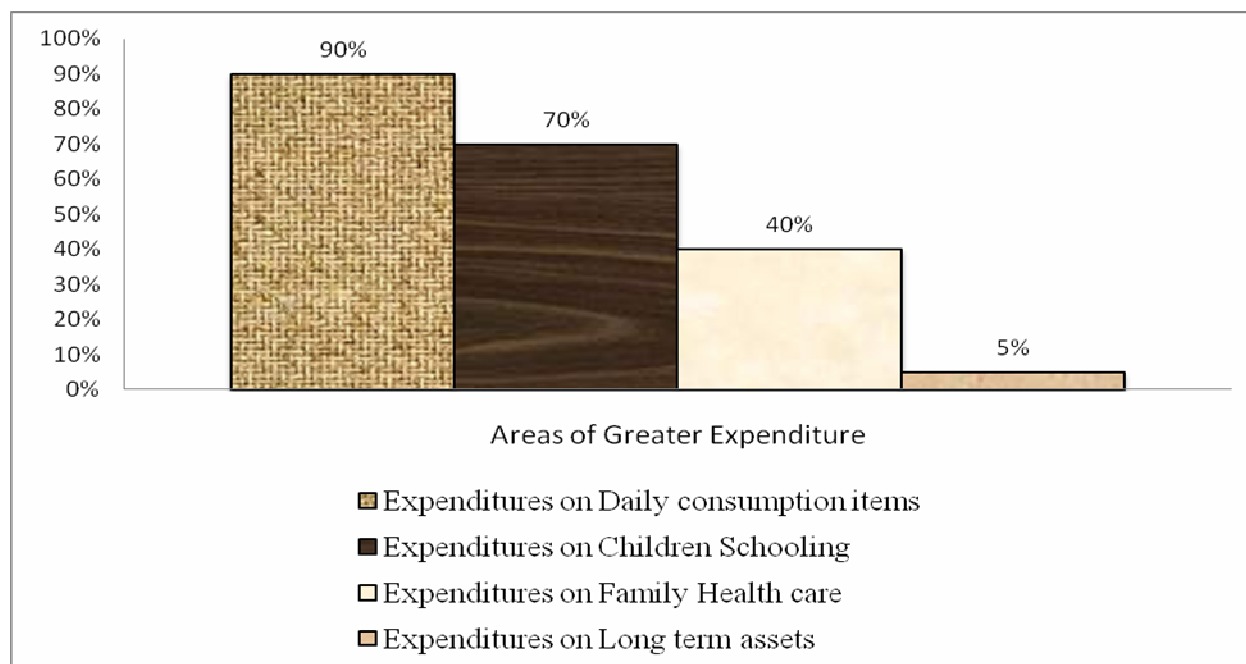
Table 3.12 Expenditure trends and reasons

Reasons for improved expenditure	No. of Respondents	Percentage	Asset Built due to the improved expenditure		
			Built House	Purchase of farm aids	Purchase of home equipments
By increasing Saving	12	32.43%	–	–	–
By Investing in Long term items	14	37.84%	35.7%	28.6%	42.8%
By Smoothing out consumption	24	64.86%	–	–	–

Source: Own field survey, 2011

As presented in the figure below, concerning greater expenditure areas by respondents, expenditure on daily consumption accounts for 90%, expenditure on children schooling 70%, expenditure on family health care 40% and expenditure on long term assets 5%.

Fig. 3.7 Areas of Greater Expenditure



Source: Own field survey, 2011

As all the respondents agreed cooperatives created additional income for their members and regarding the way how cooperatives created additional income, again all mentioned by securing higher price for their products as shown in the table below, 58% said by providing training to increase productivity, 42% by lowering input costs, 26% introducing new and efficient technologies, 11% by creating employment opportunities and other categories each. By providing cash dividend is specified in the 'others' category by about 10% of respondents.

Table 3.13 Ways of creating Additional Income by cooperatives

Ways of creating Additional Income	No. of Respondents	Percentage
Securing higher price for my product	40	100.00%
Lowering inputs cost	16	42.11%
providing training to increase productivity	22	57.89%
introducing new & efficient technologies	10	26.32%
creating employment opportunity	4	10.53%
Others	4	10.53%

Source: Own field survey, 2011

On the other hand, those respondents who said the cooperatives are poor in creating additional income to their members stated the basic reasons as less/no dividend distribution, narrow scope of services and lack of commitment by leaders.

3.1.7 Participation of cooperatives in community affairs

To improve the well being of a community, involvement in social welfare activities is very crucial. As it can be seen from the table below, respondents had different level of satisfaction on the level of cooperatives' participation in community development activities. Accordingly, 47.5% of the respondents said cooperatives participation in education is satisfactory, 32.5% said it is unsatisfactory and the remaining 20% said it is very unsatisfactory.

Community health care is another important issue requiring multi stakeholders' involvement and when we have a look at of respondents' level of satisfaction on cooperatives' participation in the issue at hand, more than half (52.5%) of the respondents were unsatisfied, 42.5% of the respondents were very unsatisfied, and only 5% which is insignificant share of the proportion were satisfied by cooperatives' participation in community health care activities. As we can see from the table, respondents had poor level of satisfaction or dissatisfied by cooperatives' participation in the other elements of social affairs.

Building additional classes, maintenances of damaged schools, and initiating the community parents to send their children to school were among the ways cooperatives participated in education. On the other hand, creating awareness, orientation and initiating the community were mentioned by respondents who said cooperatives' participation in community health care was satisfactory, as ways of involvement (Focus Group Discussion held in Hafursa and Konga, January 25, 2011).

Table 3.14 Community/Social participation of cooperatives

Community/Social Affairs	Not Applicable	Very Unsatisfactory	Unsatisfactory	Satisfactory
Nil Education	Nil	20.00%	32.50%	47.50%
Health care services	Nil	42.50%	52.50%	5.00%
Utilities	17.50%	50.00%	25.00%	7.50%
Housing	87.50%	10.00%	2.50%	Nil
Environment/Sanitation	47.50%	35.00%	15.00%	2.50%
Conflict resolution & social cohesion	50.00%	20.00%	30.00%	Nil
Avoiding harmful practices and norms	50.00%	17.50%	30.00%	2.50%
Fostering good citizenship	50.00%	10.00%	37.50%	2.50%

Source: Own field survey, 2011

3.1.8 Empowerment of men and women by cooperatives

Empowerment is one of the fundamental means in reducing rural poverty. In this section of the study, the role of cooperatives in empowering members was seen from three dimensions; level of awareness created for members on different aspects of the cooperatives, participation of members on cooperatives leaders selection process, and the cooperatives commitment to empower their members.

As revealed in the table below, respondents who know well were 35% about objectives of their cooperative, 37.5% about their rights on the cooperatives, 40% about their duties and responsibilities, 42.5% about management committee members, 50% about types of services provides by their cooperatives, 30% about the member of members in the cooperatives and only 10% about current capitals of the cooperatives. On the other hand, respondents know little about objectives, rights of members, duties and responsibilities, management committee, types of services, number of members and current capital were 50%, 37.5%, 27.5%, 25%,20%, 22.5% and 15% respectively. The others had very little and very well levels of awareness according to their proportions as expressed in the table below.

Concerning the election process of leaders, as all respondents replied, they participate in the election process and their participation is through general assembly.

Table 3.15 Level of awareness on different aspects of the cooperative

Cooperative aspects	Very Little	Little	Well	Very Well
Objective of the cooperative	2.50%	47.50%	35.00%	15.00%
Rights of members	10.00%	37.50%	37.50%	15.00%
Duties & Responsibilities of members	17.50%	27.50%	40.00%	15.00%
Management committee members of the cooperative	12.50%	25.00%	42.50%	20.00%
Types of services provided by the cooperative	2.50%	20.00%	50.00%	27.50%
Number of members of the cooperative	32.50%	22.50%	30.00%	17.50%
Current capital of the cooperative	67.50%	15.00%	10.00%	12.50%

Source: Own field survey, 2011

According to the table below, cooperatives' political commitment to serving and protecting their political, economic, social and legal rights satisfied 70% of the respondents and very satisfied 12.5% of the respondents while dissatisfied 17.5% of the respondents.

The evaluation of 62.5% of the respondents, the cooperatives' commitment in policy reforms and actions to enable them gain access to assets so as to make them less vulnerable was satisfactory. It was very satisfactory for 12.5% of the respondents and dissatisfactory for the rest 17.5% of to respondents. The respondents' evaluation of cooperatives' commitment in taking part in achievement of education and healthcare for all is satisfactory for 45%, very satisfactory for 17.5 and dissatisfactory for the remaining 37.5% of the respondents. Cooperatives' commitment to address safe water and sanitation in the community is evaluated to be dissatisfactory by 77.5% of the respondent's and satisfactory by 17.5% to the respondents. Finally, most of the respondents (80%) are very dissatisfied by the cooperatives' commitment in creating social safety nets to prevent their members from falling into destitution or to rescue from disaster.

Table 3.16 Cooperatives commitment in empowering members

Rating Factor	Very Unsatisfactory	Unsatisfactory	Satisfactory	Very Satisfactory
Political commitment to serving & protecting your political, economic, social & legal rights	Nil	17.50%	70.00%	12.50%
Policy reforms & actions to enable you gain access to assets so as to make you less vulnerable	2.50%	32.50%	62.50%	2.50%
Education & health care for all	Nil	37.50%	45.00%	17.50%
Safe water & Sanitation	2.50%	77.50%	17.50%	2.50%
Social Safety nets to prevent you from falling in to destitution or rescue from disaster	80.00%	12.50%	5.00%	2.50%

Source: Own field survey, 2011

3.1.9 Overall views on the roles of cooperatives

The table below is a summary of respondents' perception on overall achievement of cooperatives in the areas of access to credit service, access to inputs, access to market for output and access to asset building by local community.

Consequently, 32.5% of the respondents strongly agreed with cooperatives' promotion of access to market for outputs for the local community and another 25% agreed with the same. Contrarily, 37.5% of the respondents disagree with the statement and 5% even strongly disagree. As shown on the table, on the other elements listed before the negative perceptions (strongly disagree and disagree) overweight the positive once (agree and strongly agree).

Table 3.17 Overall views of respondents on cooperatives' roles

Rating Factor for cooperative	Strongly Disagree	Disagree	Agree	Strongly agree
Provision of credit for the local community	20.00%	70.00%	10.00%	Nil
Promotion access to inputs for the local community	30.00%	70.00%	Nil	Nil
Promotion access to market for outputs for the local community	5.00%	37.50%	25.00%	32.50%
Promotion access to Asset building for the local community	55.00%	30.00%	15.00%	Nil

Source: Own field survey, 2011

Sample respondents faced different problems in relation to accessing agricultural inputs. The most basic ones are insufficient inputs delivery and delay in supply of inputs. The respondents suggested improving distribution system of inputs, preparing readymade stock of inputs and sufficient and timely delivery of inputs especially coffee seeds as solutions to the above mentioned problems related to agricultural input supply.

Insufficient and delayed return, poor infrastructure and unions delay in return and consequently failure to meet bank payback period are the major agricultural output market access related problems encouraged by members of the sample cooperatives. To tackle these problems, respondents said that building infrastructure, timely and sufficient delivery of returns for produce, close supervision of unions and sufficient loan provision by banks to cooperatives are the possible ways.

On the other hand, some of the respondents said the cooperatives should take actions by introducing advanced technologies for washing and packaging of coffee in order to play the role of local capital accumulation or asset building.

Concerning the improvement of livelihood through cooperatives, 55% of the respondents thought that there was some extent of improvement in their livelihood after being member of cooperatives and the remaining 45% thought that there has been a large extent of improvement. In a similar pace, all respondents thought that cooperative businesses brought improvements in the living conditions of people in the community. Moreover, all respondents together suggest that the cooperative business should continue and expand.

The major strengths of the cooperative under the study according to sampled respondents are: better participation in social affairs particularly education, better bargaining power through the cooperatives, presence of some committed committee members, fair price set for produce, progressive capacity of the cooperatives, and their role in initiating farmers/members for better production. On the other hand, the major weakness are said by the respondents to include; infant progress of using technological equipments and machines, poor credit package, centrality of decision making due to lack of frequent contact with members, and shortage of skilled manpower.

Moreover, diversifying and expanding the cooperative services, emphasizing on awareness creation and educating members, capacity building in the areas of warehouse, machinery and personnel, and better training and experience sharing are the general recommendations of sample members from Hafursa and Konga primary cooperatives in YCFUCU to enhance the role of cooperatives in improving quality of living in rural areas.

3.2 Data Presentation and Analysis of Sample Cooperatives in Sidama Elto Farmers Cooperative Union

3.2.1 Background of Sidama Elto Farmers Cooperative Union

Sidama Elto Farmers Cooperative Union (SEFCU) is farmers' cooperative union organized with the aim of marketing cereal crops. It is found in Southern Nations Nationalities and Peoples Region, Sidama zone with a head quarter at Hawassa, the capital of the region. The union was established in October 2004. The environmental condition of Sidama zone is known to be comfortable for varieties of products. However especially in Dega and Kola areas cereal food crops are produced in bulk. Accordingly, SEFCU is established to easily contacting these market oriented cereal crops with customers and bring the desired market price to the producers.

The union gives a particular attention to cereals and pulses which include; maize, Teff, sorghum, wheat, Haricots and soon. Accordingly, the union supplies improved seeds of the above listed crops and farm fertilizers including DAP and urea. In addition, the union is providing a short term loan for those cooperatives facing capital shortage by borrowing from lending sources. The two primary cooperatives selected for the investigation are **Kayo and Shelo-Belela**. Both of them are located in Borchha Woreda of Sidama Zone and engaged in marketing of cereal crops. Kayo and Shelo-Belela together cover five Kebeles, Shelo-Belela, Shelo-Abore, Shelo-Elancho, Konsore-Ranja and Sinmo-Chole.

3.2.2 Basic Socio-demographic characteristics of sample respondents

The table below represents the basic socio-demographic characteristics of sample respondents from Kayo and Shelo-Belela in Sidama Elto farmers' cooperative union. As shown in the table, 95% of the respondents were male and the remaining 5% were female. The age groups that range from 26 to 55 are the majority in the cooperatives. With respect to respondents educational status, out of the sample households, 27.5% were illiterate or had not received any type of education, and 10% got basic education or knew read and write only. The rest of the sample respondents had attended elementary (35%), high school (17.5%), preparatory/senior high school (2.5%) and the rest 7.5% belongs to others category which includes diploma and technique schools. As shown in the table below, majority (57.5%) of the respondents have a household size of 6 to 9 members followed by the range from 10 to 12 accounting 30% the remaining 7.5% and 5% belonging to below 6 and above 12, respectively.

Table 3.18 Basic Socio-demographic characteristics of the Sampled Respondents

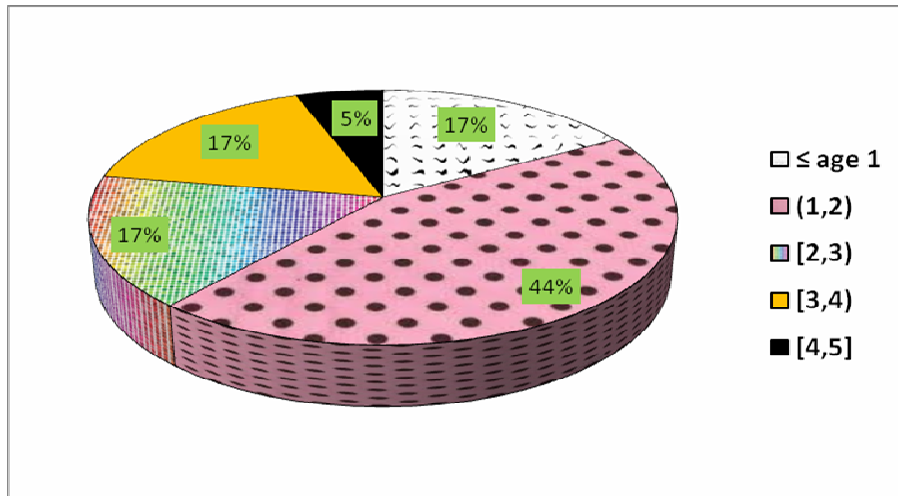
S.No	Description							
1.1	Sex	Male	Female					
	No. of respondents	38	2	40				
	Percentage	95%	5%	100%				
1.2	Age	Below 18	18-25	26-35	36-45	46-55	Above 55	
	No. of respondents	Nil	1	9	16	9	5	
	Percentage	0.00%	2.50%	22.50%	40.00%	22.50%	12.50%	
1.3	Educational Level	Illiterate	Read & Write only	Elementary (1-8)	High School (9-10)	Preparatory (11-12)	1st Degree	Others
	No. of respondents	11	4	14	7	1	Nil	3
	Percentage	27.50%	10.00%	35.00%	17.50%	2.50%	Nil	7.50%
1.4	Household size in no.	Below 6	(6-9)	(10-12)	Above 12			
	No. of respondents	3	23	12	2			
	Percentage	7.50%	57.50%	30.00%	5.00%			

Source: Own field survey, 2011

3.2.3 Welfare status of sample respondents

From the households of sample respondents, 45 % had children aged 5 and above not attending school. On the other hand, 37.5% of the sampled household respondents had mortal children. As shown in the chart below, 44% of the mortal children died at the ages 1 to 2. And, equal percentage share of 17% belongs to the mortal age groups died at the age of less than 1, 2 to 3 and 3 to 4 and 6% of the respondents' mortal infants belong to the age group of 4 to 5 years old.

Fig. 3.9 Age Range of Mortal Infants



Source: Own field survey, 2011

Concerning the electricity coverage in the study area, from the total sample respondents 42.5% reported to have electricity facility while 57.5% of the respondents' households were deprived of the facility. Of those who reported to have the facility; only around 6% had got from cooperatives, the majority of the rest (76%) from government and the remaining 18% from NGOs.

On the other hand, only 40% respondents stated that their household had got access to clean drinking water from which 44% walk less than 10 minutes from their home to get access, around 50% from 11 to 20 minutes and the remaining 6% walks from 21 to 30 minutes.

Government is the only stakeholder to provide clean drinking water to the study area and provided the facility to all of the respondents. Contributions of NGOs and Cooperatives are nothing in this case.

In response for the type of toilet used by the household, all of the sample respondents replied as they have own private toilet built by themselves.

As shown in the table below, dirt is used for flooring by majority 82.5% of the sample respondents. The remaining respondents used sand with the percentage of 22.5%. Wood is used for cooking by majority of the respondents accounting about 85%, followed by 45%, 5% and 3%

who are responded as they used charcoal, dung and the combination of two or more of the fuel materials, respectively.

Table 3.19 Material usage for flooring and Cooking

Materials Used	Dirt	Sand	Dung	Others
For Flooring	33	9	Nil	Nil
Percentage	82.50%	22.50%	Nil	Nil
Materials Used	Wood	Charcoal	Dung	Others
For Cooking	34	Nil	18	1
Percentage	85%	Nil	45%	3%

Source: Own field survey, 2011

With regard to asset ownership, out of the sample respondents in Kayo and Shelo-Belela cooperatives, 52.5%, 22.5% and 20% owned Radio, Television and Telephone respectively. Refrigerator and Bike share similar percentage of 2.5. Although, it is not considered as home equipments, the greatest percentage share i.e. 90% goes other than the expected possible alternatives outlined, but to the living property i.e. cattle.

Table 3.20 Property record of the respondents

Assets	Radio	Television	Telephone /Mobile/	Bike	Refrigerator	Others
No. of Respondents	21	9	8	1	1	36
Percentage Share	52.50%	22.50%	20.00%	2.50%	2.50%	90.00%

Source: Own field survey, 2011

3.2.4 Membership in the cooperatives

With respect to the respondents' status of relationship with the cooperatives, 95% were members only and the remaining 5% were member as well as working in the cooperatives and as of the response of sample respondents there was no external push in joining the cooperatives as all of them joined the cooperatives willingly.

As presented in the table below, getting periodic dividend is chosen as moderately important reason for joining cooperatives by 47.5% of respondents, 37.5% considered it as highly important and the remaining 10% and 2.5% respondents considered it as critically and slightly important reason respectively. On the other hand, to get access of employment by the cooperative was taken as slightly important and moderately important reason for joining the cooperatives by 57.5% and 17.5% of sample respondents whereas, the remaining and the least percentage share is scrambled among not important, highly important and critically important constituting 15%, 7.5% and 2.5%, respectively. In similar analysis of the table, to get access to credit or loan was selected by 37.5% as moderately important followed by 30% & 20% of respondents who consider as slightly and highly important, respectively. And the least percentage cover of respondents goes to 7.5% as not important and 5% as critically important. To get access to inputs market is highly important reason of joining cooperative for 67.5% respondents, moderately and critically important with equal share of 15% of respondents and not important for 5% of respondents. 55% of sample respondent membership role to get access for output market as a highly important reason for joining cooperatives followed by 40% and 5% respondents who choose it as critically and moderately important reason, respectively. To get access to consumer goods was chosen to be moderately important reason by 42.5% of respondents followed by highly, slightly, critically and not important reason by 32.5%, 12.5% 7.5% and 5% of respondents, respectively. The highest percentage share 52.5% and 40% belongs to those who have selected it as highly and moderately important reason, respectively. And, only 7.5% of the respondent selected it as critically important reason for being member in cooperatives to get access for training.

Table 3.21 Reasons for joining cooperatives

Reason	Not important	Slightly important	Moderately important	Highly Important	Critically important
To get Periodic Dividend	Nil	2.50%	47.50%	37.50%	10.00%
To get access for employment	15.00%	57.50%	17.50%	7.50%	2.50%
To get access for Credit/Loan	7.50%	30.00%	37.50%	20.00%	5.00%
To get access for input market	5.00%	Nil	15.00%	67.50%	15.00%
To get access for output market	Nil	Nil	5.00%	55.00%	40.00%
To get access to consumed goods	5.00%	12.50%	42.50%	32.50%	7.50%
To get access for Trainings	Nil	Nil	40.00%	52.50%	7.50%

Source: Own field survey, 2011

As indicated in the table below, relatively greater proportion i.e. 45% of respondents reported the ability to contribute the initial capital as critically important criteria for getting cooperatives membership followed by 37.5% of respondents corresponding to less important criteria.

The ability to pay periodic payment was not considered as decisive criteria for most of the respondents. As, 50% said it is less important and 42.5% not important.

Promise to buy the cooperative's product/service rated as critically, highly and moderately important criteria with a percentage load of 35%, 25% and 15%, respectively. And, the least share of 12.5% and 7.5% as not important and less important, respectively. On the other hand, promise to sell output to/through the cooperative is rated as a critically and highly important criteria with equal and high percentage coverage of 47.5%

Table 3.22 Criteria for getting membership of the cooperatives

Criteria	Not important	Less important	Moderately important	Highly Important	Critically important
Ability to contribute the initial capital	Nil	37.5%	7.5%	7.5%	45.0%
Ability to pay the periodic payment	42.5%	50.0%	7.5%	Nil	Nil
Promise to buy the cooperatives product/service	12.5%	7.5%	15.0%	25.0%	35.0%
Promise to sell outputs to/through the cooperative	Nil	Nil	5.0%	47.5%	47.5%

Source: Own field survey, 2011

With regard to the affordability of membership contributions, almost all respondents, 92.5% agreed that the registration fee is low and more than half 65% agreed that the share price is also low followed by 35 % saying the share price is Moderate. On the other hand, all respondents agreed that there were no periodic payments expected from members once they got full status of membership.

Table 3.23 Affordability of membership payments

Factors	Not Applicable	Very Low	Low	Moderate
Registration Fee	Nil	2.50%	92.50%	5.00%
Share price	Nil	Nil	65.00%	35.00%
periodic contribution	100%	Nil	Nil	Nil
Length of time for periodic payment	100%	Nil	Nil	Nil

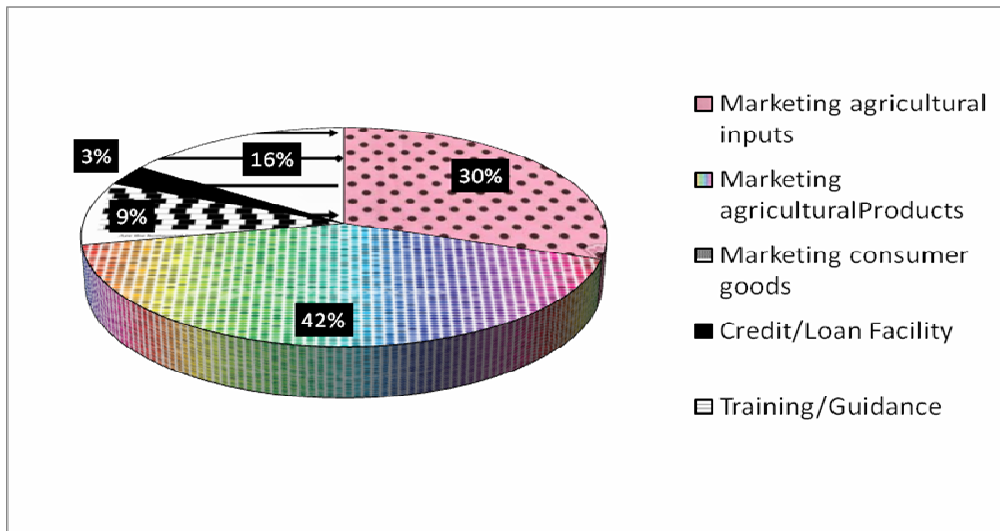
Source: Own field survey, 2011

3.2.5 Services of the cooperatives

Regarding the services of the cooperatives in the study area, there are about five types of services that sample members got from the cooperatives though the extent and coverage varies.

Accordingly, as shown in the pie chart below, 42% and 30% of the respondent reported as they got marketing agricultural products and marketing agricultural inputs, respectively. The remaining percentage share is covered by training/guidance, marketing consumer goods and credit/loan facility service for 16%, 9% and 3%, respectively.

Fig.3.10 Service Types Rendered by cooperatives



Source: own field survey, 2011

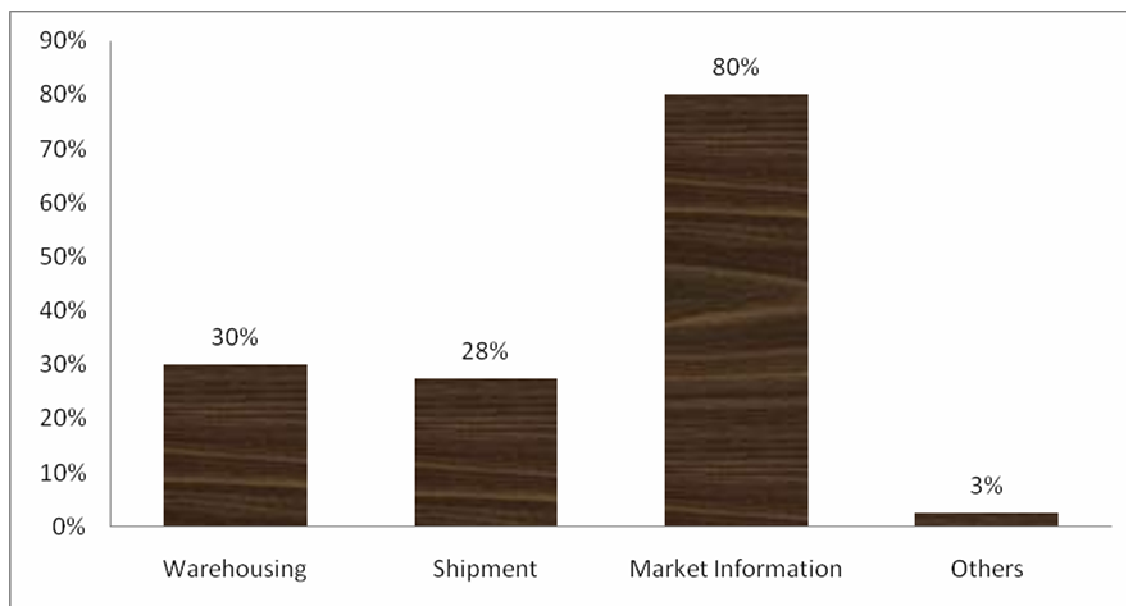
In comparison to other currently available options, the access and quality goods/services of the cooperatives are highly better for 60% of sampled respondents and slightly better for the remaining 40% respondents. Respondents were asked whether they got cooperative services on credit or not and majority of them i.e. 67.5% replied yes to the question.

The loan repayment arrangement of Kayo and Shelo-Belela primary cooperatives in SEFCU was suitable for the highest proportion of respondents, 63% followed by the remaining 37% as it is very suitable. The cooperatives in the study area purchase products from their respective members through fully cash basis transaction process.

In addition to their major purposes for formation literatures indicate that agricultural marketing cooperatives provide other post harvest services to their members, which include warehousing, grading, packaging, shipment, market information and others. According to the data from the diagram below, the respondents that constitute 80%, 30% and 28% got delivery of post harvesting services related with market information, warehousing and shipment, respectively.

About 62% of the respondents replied there is education, training or information given by their cooperatives. However, the rest 38% of the respondents replied there is not.

Fig.3.12 Post-harvest Services



Source: Own field survey, 2011

From those who got training from the cooperatives 100% reported that the training was focusing on cooperative natures and benefits, 84% reported as the focus of trainings was on how to generate income from different sources and 52% reported the focus was on how to apply new technologies. On the other hand, none of them reported as the cooperatives involved in political trainings.

Table 3.25 Focus Points of training and education

Focus Points for training and education selection	No. of Respondents	Percentage
Cooperative nature and Benefits	25	100%
How to apply new Technologies	13	52%
How to generate income from different sources	21	84%

Source: Own field survey, 2011

In looking at respondents rating of quality and accessibility of cooperatives marketing in the study case area, the table below shows that 82.5% of the respondents believed that adequacy of market services is somehow improved, 55% of the respondents believed that market proximity or availability of market at nearby places are somehow improved, followed by 32.5% who believed as it is highly improved. Concerning with availability of market at any time it is rated with greater percentage share of 62.5%, 20% and 12.5% as it somehow improved, highly improved and similar with the previous/other options, respectively. Fairness of the market price is reported as somehow improved and highly improved with almost similar percentage share of 50% and 47.5%, respectively.

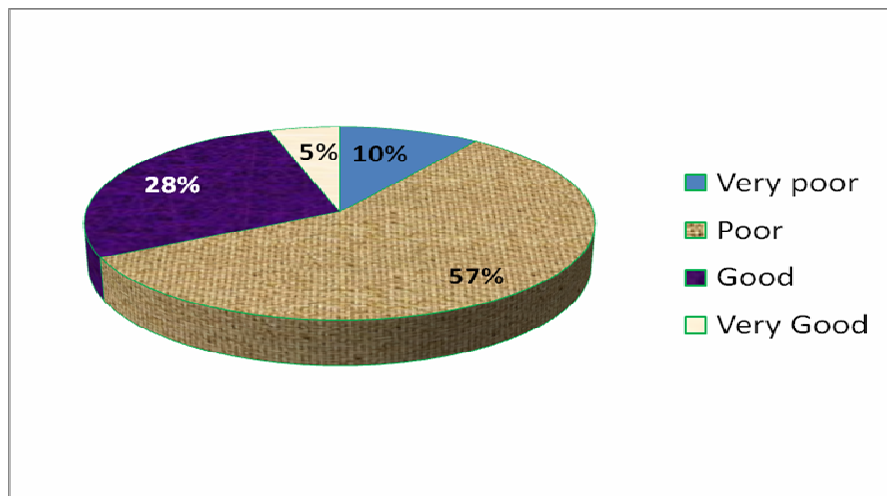
Table 3.26 Accessibility and quality of traded goods/services

Accessibility and quality of traded goods/services	Highly Deteriorated	Deteriorated	Similar	Somehow improved	Highly improved
Adequacy of Market Services	2.50%	Nil	5.00%	82.50%	10.00%
Availability of market at any time	2.50%	2.50%	20.00%	62.50%	12.50%
Availability of market at Short distance	2.50%	7.50%	2.50%	55.00%	32.50%
Fairness of the market Price	Nil	Nil	2.50%	50.00%	47.50%

Source: Own field survey, 2011

As expressed by the chart below, more than half of the respondents, 57% gave their opinions the achievement of cooperatives in introducing new agricultural technologies as Poor followed by 28% who evaluated as good. The least share of 10% and 5% of the respondents evaluated the cooperatives achievement in introducing new technologies as very poor and very good, respectively.

Fig.3.13 Introduction of New Agricultural Technologies by Cooperatives



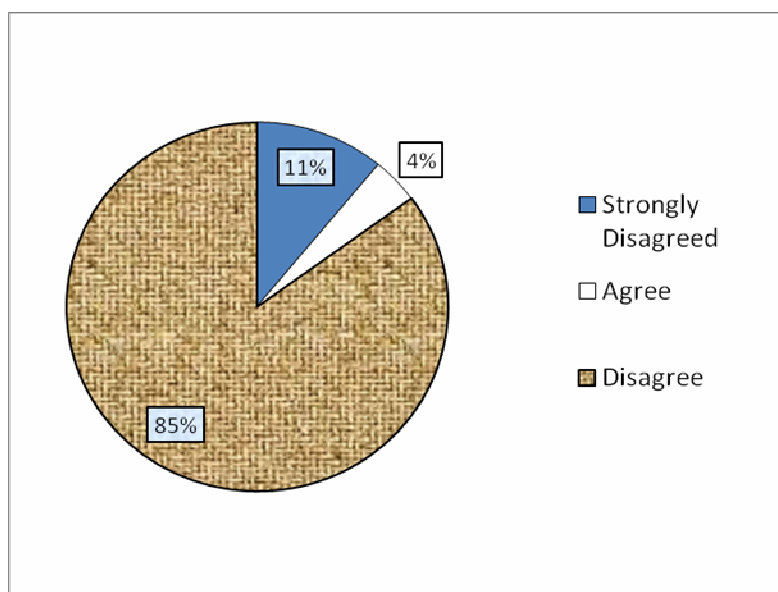
Source: Own field survey, 2011

3.2.6 Economic benefits of the cooperatives

Majority of the sample respondents comprising 62% replied as cooperatives paid regular dividends to their members. The remaining 38% of the respondents argued that the dividend payment was not paid regularly. It is based on level of profit generated. And, all of the respondents, who said there was dividend payment by the cooperatives, explain as the dividend payment is made annually.

As the chart below clearly innumerate, 85% of the respondents who reported the payment of dividend by cooperatives, disagree with the statement that “the dividend paid by the cooperatives is sufficient to fulfill basic requirements of their households”, 11% of the respondents strongly disagree with the statement while the remaining 4% agree.

Fig.3.14 Opinions on Dividends Paid by Cooperatives



Source: Own field survey, 2011

From those respondents who receive dividend from their cooperatives most of them accounting 88% used the dividend received for personal and family consumptions. In addition, 48% allocated for purchase of fixed assets, 8% deposited or saved in a bank and 4% for repayment of debt or loan.

Table 3.27 Utilization of income from Dividends

Utilization of income from Dividends	No. of Respondents	Percentage
Personal & Family consumption	22	88%
Repayment of Debt/Loan	1	4%
Deposit in Bank	2	8%
Purchase/Building of Fixed Assets	12	48%

Source: Own field survey, 2011

All of the respondents thought that being member of cooperatives improved their expenditure. From which 86% said that the improvement is by smoothening consumption, 32% by investing in long term items, and 8% by increasing saving. Moreover, from those who invested in long

term items, about 92% built house, about 25% purchased home equipments and 8% purchased farm aids.

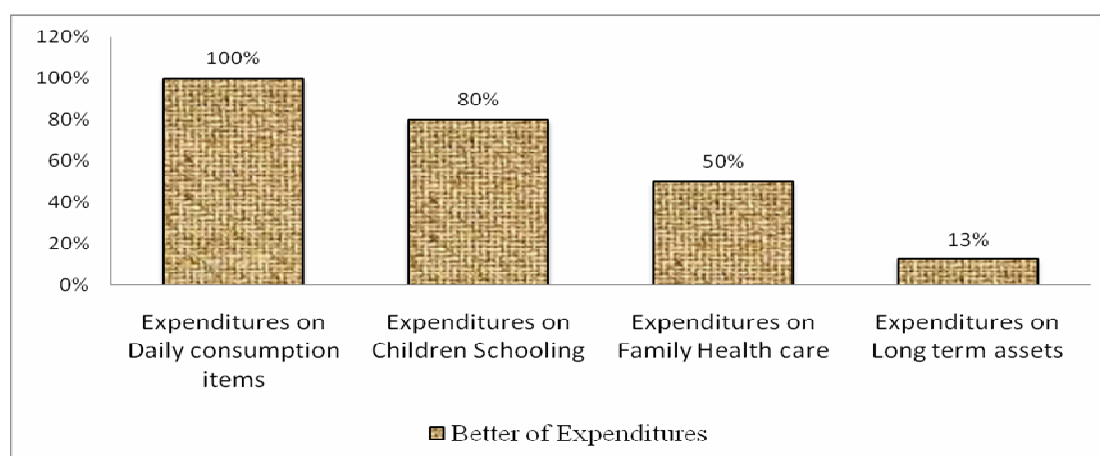
Table 3.28 Expenditure trends and reasons

Reasons for improved expenditure	No. of Respondents	Percentage	Any Asset Built through the improved expenditure		
			Built House	Purchase of farm aids	Purchase of home equipments
By increasing Saving	8	21.62%	–	–	–
By Investing in Long term items	12	32.43%	92%	8%	25%
By Smoothing out consumption	32	86.49%	–	–	–

Source: Own field survey, 2011

As presented in the figure below, concerning greater expenditure areas by respondents, expenditure on daily consumption accounts for 100%, expenditure on children schooling 80%, expenditure on family health care 50% and expenditure on long term assets 13% of the respondents.

Fig. 3.15 Areas of Greater Expenditure



Source: Own field survey, 2011

As all the respondents agreed cooperatives created additional income for their members and regarding the way how cooperatives crated additional income, as shown in the table below, 97% said by securing higher price for their products, 58% by providing training to increase

productivity, 56% by lowering input costs, 14% by creating employment opportunities and 8% introducing new and efficient technologies.

Table 3.29 Ways of creating Additional Income by cooperatives

Ways of creating Additional Income	No. of Respondents	Percentage
Securing higher price for my product	35	97.22%
Lowering inputs cost	20	55.56%
Creating employment opportunity	5	13.89%
Introducing new & efficient technologies	3	8.33%
Providing training to increase Productivity	21	58.33%

Source: Own field survey, 2011

On the other hand, those respondents who said “our cooperatives are poor or unable to create additional income to their members” stated the basic reasons as low or no dividend distribution due to less profitability or return of the cooperatives, leader’s embezzlement, capacity problem and narrow scope of services.

3.2.7 Participation of the cooperatives in community affairs

To improve the well being of a community, involvement in social welfare activities is very crucial. As it can be seen from the table below, respondents had different level of satisfaction on the categories of cooperatives’ participation in community development activities. Accordingly, 42.5% of the respondents said cooperatives participation in education is very unsatisfactory, 30% & 27.5% said they are not engaged in such social service and it is unsatisfactory, respectively.

Community health care is another important issue requiring multi stakeholders’ involvement and when we have a look at on respondents’ level of satisfaction on cooperatives’ participation in the issue at hand, more than half 62.5% of the respondents respond as it is not applicable, 20% of the respondents were very unsatisfied, and 17.5% of the respondents were unsatisfied by cooperatives’ participation in community health care activities. As we can see from the table,

respondents had poor level of satisfaction or dissatisfied by cooperatives' participation in the other elements of social affairs.

Table 3.30 Community/Social participation of cooperatives

Community/Social Affairs	Not Applicable	Very Unsatisfactory	Unsatisfactory	Satisfactory
Education	30.00%	42.50%	27.50%	Nil
Health care services	62.50%	20.00%	17.50%	Nil
Utilities	62.50%	32.50%	2.50%	2.50%
Housing	57.50%	35.00%	5.00%	2.50%
Environment/Sanitation	25.00%	55.00%	17.50%	2.50%
Conflict resolution & social cohesion	7.50%	57.50%	30.00%	5.00%
Avoiding harmful practices and norms	7.50%	55.00%	35.00%	2.50%
Fostering good citizenship	7.50%	50.00%	40.00%	2.50%

Source: Own field survey, 2011

3.2.8 Empowerment of men and women by cooperatives

Empowerment is one of the fundamental means in reducing rural poverty. In this section of the study, the role of Kayo and Shelo-Belela primary cooperatives in empowering members was seen from three dimensions; level of awareness created for members on different aspects of the cooperatives, participation of members on cooperatives leaders' election process and the cooperatives' commitment to empower their members.

As revealed in the table below, respondents who knows well were 40% about objectives of their cooperative, 42.5% about their rights on the cooperatives, 30% about their duties and responsibilities, 27.5% about management committee members, 40% about types of services provides by their cooperatives, 32.5% about the member of members in the cooperatives and only 10% about current capitals of the cooperatives. On the other hand, respondents know little about objectives, rights of members, duties and responsibilities, management committee, types of services, number of members and current capital were 40%, 40%, 42.5%, 30%,32.5%, 15% and 12.5% respectively. The others had very little and very well levels of awareness according to their proportions as expressed in the table below.

Table 3.31 Level of awareness on different aspects of the cooperative

Cooperative aspects	Very Little	Little	Well	Very well
Objective of the cooperative	15.00%	40.00%	40.00%	5.00%
Rights of members	7.50%	40.00%	42.50%	10.00%
Duties & Responsibilities of members	15.00%	42.50%	30.00%	12.50%
management committee members of the cooperative	27.50%	30.00%	27.50%	12.50%
Types of services provided by the cooperative	10.00%	32.50%	40.00%	17.50%
Number of members of the cooperative	42.50%	15.00%	32.50%	10.00%
Current capital of the cooperative	72.50%	12.50%	10.00%	5.00%

Source: Own field survey, 2011

Concerning the election process of leaders, as all respondents replied, they participate in the election process and their participation is through general assembly.

According to the table below, cooperatives' political commitment to serving and protecting their political, economic, social and legal rights satisfied 12.5% of the respondents and very satisfied 7.5% of the respondents while 77.5% and 2.5% of the respondents were dissatisfied and very dissatisfied, respectively.

According to the evaluation 12.5% and 2.5% respondents rate, the cooperatives' commitment in policy reforms and actions to enable them gain access to assets so as to make them less vulnerable was satisfactory and very satisfactory, respectively. On the other hand, it was evaluated as unsatisfactory and very unsatisfactory by 60% and 25% of the respondents, respectively. The respondents' evaluation of cooperatives' commitment in taking part in achievement of education and healthcare for all is satisfactory for 2.5%, unsatisfactory for 30% of the respondents and 67.5% for those who were very unsatisfied. Cooperatives' commitment to address safe water and sanitation in the community is evaluated as satisfactory by 2.5% of the respondent's and unsatisfactory and very unsatisfactory by 22.5% and 75% of the respondents, respectively. The cooperatives' commitment in creating social safety nets to prevent their members from falling into destitution or to rescue from disaster also evaluated as satisfactory,

very satisfactory, unsatisfactory and very unsatisfactory by 32.5%,17.5%, 35% and 40% of the respondents, respectively.

Table 3.32 Cooperatives commitment in empowering members

Rating Factor	Very Unsatisfactory	Unsatisfactory	Satisfactory	Very Satisfactory
Political commitment to serving & protecting your political, economic, social & legal rights	2.50%	77.50%	12.50%	7.50%
Policy reforms & actions to enable you gain access to assets so as to make you less venerable	25.00%	60.00%	12.50%	2.50%
Education & health care for all	67.50%	30.00%	2.50%	Nil
Safe water & Sanitation	75.00%	22.50%	2.50%	Nil
Social Safety nets to prevent you from falling in to destitution or rescue from disaster	40.00%	35.00%	20.00%	5.00%

Source: Own field survey, 2011

3.2.9 Overall views on the roles of cooperatives

The below table is a summary of respondents' perception on overall achievement of Kayo and Shelo-Belela primary cooperatives in SEFCU in the areas of access to credit service, access to inputs, access to market for output and access to asset building by local community.

Consequently, majorities of the respondents accounting about 75% disagree about cooperatives' role on provision of credit for local community while the remaining percentage share of 22.5% and 2.5% was covered by those who were reacted the question with strongly disagreement and agreement, respectively. With regard to the promotion access to inputs for the local community via the cooperatives, 77.5% of the respondents disagree, 15% agree and the remaining 7.5% of the respondents strongly disagree. The greater percentage shares that constitute 50% & 42.5% are covered by those who were agree and disagree on cooperatives' role in promotion of access to market for outputs for the local community, respectively. Cooperatives' role in promotion of access to Asset building for the local community is also rated with 75% of disagreement and 12.5% of strong disagreement and agreement, similarly.

Table 3.33 overall views on cooperatives' roles

Rating Factor for cooperative	Strongly Disagree	Disagree	Agree	Strongly agree
provision of credit for the local community	22.50%	75.00%	2.50%	Nil
promotion access to inputs for the local community	7.50%	77.50%	15.00%	Nil
promotion access to market for outputs for the local community	Nil	42.50%	50.00%	7.50%
promotion access to Asset building for the local community	12.50%	75.00%	12.50%	Nil

Source: Own field survey, 2011

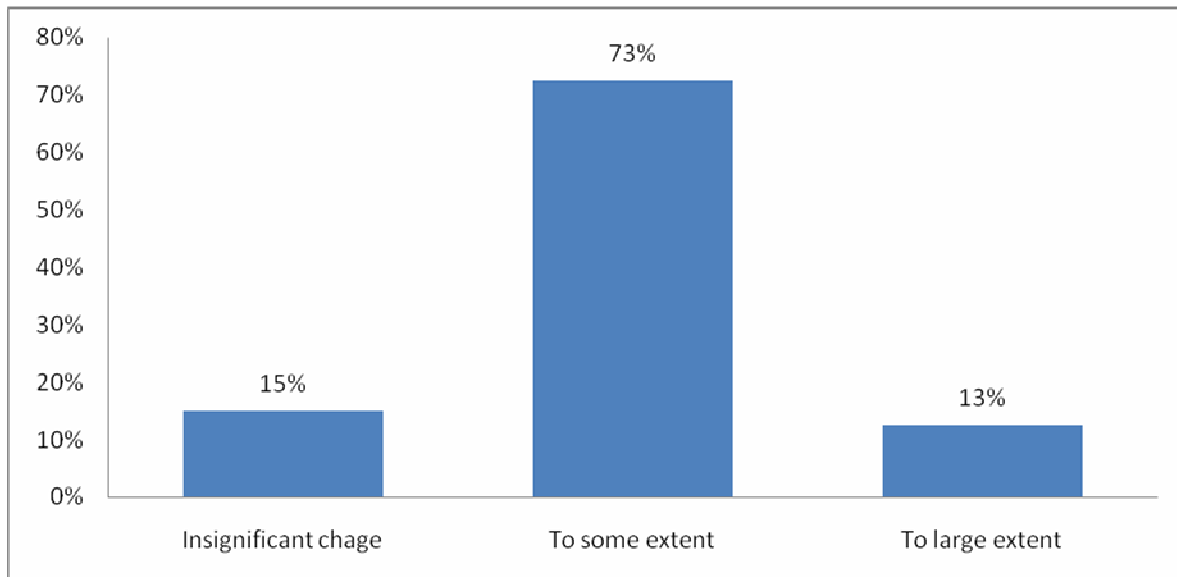
Sample respondents faced different problems in relation to accessing agricultural inputs. The most basic of these problems include shortage and delay in supply of improved seeds, misconduct and embezzlement of appointed officials (Woreda rural development officials) e.g. embezzlement of prepaid money for improved seeds, and sell of improved seeds to traders in a higher price (Focus group discussion, held in Belela, Jan 20, 2011), and lack of communication and collaboration between supporters who deliver improved seeds. The respondents suggested several solutions to tackle problems related to agricultural inputs. "Similar to fertilizer improved seeds should be distributed through cooperatives" said the respondents (currently the mandate of distributing improved seeds is given by government to woreda bureau of agriculture and rural development). Moreover, information and awareness creation on the issue of which seeds are favorable to the locality, timely and sufficient delivery of improved seeds, facilitating the communication and collaboration of all stakeholders in delivery of improved seeds, and better and continuous researches on improving seeds are among the forwarded solution by the respondents.

Lack of warehouse/store houses, time gap between demand of market and market availability, market inadequacy, and lack of modern grading machines to deliver quality produce are the major agricultural output market access related problems encountered by the members of Kayo and Shelo-Belela cooperatives. As to the respondents the possible measures to tackle these problems include; organizing the team for tackling warehouse problems, improving the bargaining power to decide on price of produce, acquiring modern grading machines and creating well established channel up to the central markets.

As most of the respondents agreed the cooperatives should take actions by building their capacity especially in the areas of technical personnel, offices, warehouse and machineries, diversification of service delivery, participation in social affairs, consistent/regular and sufficient delivery of dividend/returns and improving the awareness of members through education, enabling to diversity income generation in order to play the role of local capital accumulation or asset building.

As shown in the diagram below, 72.5% of the respondents thought that there was some extent of improvement in their livelihood after being member of cooperatives and the remaining 15% and 12.5% of the respondents thought that there has been insignificant change and large extent of improvement, respectively. In a similar pace, all respondents thought that cooperative businesses brought improvements in the living conditions of people in the community. Moreover, all respondents together suggest that the cooperative business should continue and expand.

Fig. 3.16 Improvement on livelihood through cooperatives



Source: own field survey, 2011

According to the respondents, the major strengths of the two sample cooperatives under Sidama-Elto Farmers' Cooperative Union are provision of market information, training members, working with other supporting organizations, closeness to members locality, and engagement in multidimensional activities (both input and output marketing). On the other hand, the major

weaknesses as to the respondents include; poor capacity in warehousing, technology utilization, technical and skilled personnel for managing cooperative matters, narrow scope of service delivery, absence of well established plan and clear work procedures and weak control and supervision.

Moreover, diversifying services especially facilitating credit programs, encouraging women participation, improving members awareness on diversified income generation and saving and investment issues, improving infrastructural development, peaceful resolution of neighborhood conflicts, and creation of multi-dimensional partnership with different supporters to build capacity are the general recommendations of Kayo and Shelo-Belela members to enhance the role of the cooperatives in improving quality of living in rural areas.

3.3. Discussion and Analysis on the Role of Agricultural Marketing Cooperatives in the Reduction of Rural Poverty in Yirgachefe and Sidama-Elto Cooperative Unions

This section deals with discussions and analyses on major findings of the study on the role of the four primary cooperatives namely Hafursa and Konga from Yergachefe Coffee Farmers Cooperative Union (YCFCU) and Kayo and Shello-Belela from Sidama-Elto Cereal Farmers Cooperative Union (SEFCU). The real and potential impacts of these primary cooperatives on the reduction of rural poverty through the increase of income and generating economic activities and capital accumulation and asset building will be discussed and analyzed. In addition to these, the role of the primary cooperatives in the enhancement of social infrastructure and improving the voice and representation of vulnerable groups in the rural community will also be discussed.

3.3.1 Cooperatives in Increasing Income and Generating Economic Activities

Theories and empirical studies on cooperatives agreed that one of the key motives of cooperatives is to fulfill the economic needs of their members. The two most important means by which the cooperatives in YCFCU and SEFCU create additional income to their members are through securing better price for their agricultural produce and charging lower costs for their agricultural inputs. This is because the dividend directly distributed to members is not sufficient and the improvement on expenditures is dominantly on the consumption side. According to the Cooperatives Code of Conduct of the Federal Cooperative Agency of Ethiopia, 70% of profit generated by the cooperatives should be distributed to members in the form of dividend. However, the profitability of the cooperatives, the number of members in the cooperatives and the commitment of officials to execute the rule determine the amount of dividend share to each member. Based on the data from Hafursa primary cooperative of Yirgachefe Coffee Cooperative Union, due to better marketing opportunity created in the coffee market and the increasing price of coffee, the dividend payment for members has been increasing with an average rate of 80%. While 100 ETB per Kuntal of cereal delivered to the cooperative has been distributed by Shello-Belela primary cooperative of Sidama-Elto Cereal Cooperative Union until 2008. Since 2008 no dividend distribution is made by the cooperative due to failure to generate profit as indicated by the leaders of the cooperative. A clear implication from the above numerical description is that in

terms of income from dividend, members of coffee marketing cooperatives are better-off than that of cereal. However, since the dividend distribution is on annual basis and the household size is large on average (reaching more than 12 in some cases), the net effect of the dividend on the living standard of the households is low.

Although the benefits of providing training and introducing new agricultural technologies by the cooperatives are not negligible, the income generating opportunity created by both coffee and cereal cooperatives is not remarkable. As a result, reduced input costs and increased output prices are the only considerable economic contributors that the cooperatives provide to their members. The contributions of the four primary cooperatives on input costs and output prices are discussed below.

i. Marketing Agricultural Inputs by Coffee and Cereal Cooperatives

Agricultural inputs supply is one of the valuable functions that cooperatives perform. This role of cooperatives is deemed to be very essential for the rural communities where such services are either missing and/or inadequate. Addressing the necessary farm inputs is inevitable in improving the productivity and income level of the farming communities, which in turn could improve the livelihood of the local community and promote the socio-economic development. The input supply services of seed production and distribution as well as multi-purpose cooperatives are playing major role in the case of the Cereal Cooperative Union. While, inputs marketing is relatively less important in the case of the Coffee Cooperative Union for two reasons. First, since the coffee production is organic there is no need of fertilizer usage by the farmers; and secondly, most of the coffee farmers in the area are able to produce their own coffee seeds each time. The cooperatives of cereal farmers, are importing and distributing farm inputs specially, fertilizers to their members. Due to such collective efforts that cooperatives have made, a relatively better input delivery at low cost has been actualized in Borchu Weredu and surrounding communities where the two sampled cereal cooperatives, Kayo and Shello-Belela, are found. The delivery of inputs at low cost has also been supported by few other non-governmental development organizations such as Self Help Africa (SHA) (working in collaboration with Hawasa University College of Agriculture), Goal Ethiopia, Meserete Kirstos Church and Plan Ethiopia. Moreover, some members of these cooperatives have noted that such benefits have enabled them to diversify their income, improve expenditures, and enhance their

livelihood. Hence, it is important to note that this has far reaching implication in boosting commercial agriculture and agro-processing, which intern promote the locality to size up on its competitive advantages, and there by trigger socio-economic development.

However, there are many problems and bottlenecks that cooperative members mentioned in relation to input supply. Members faced information gap or less awareness on successions of improved seeds to the climatic conditions of the area. Delay in the supply of inputs together with shortage of improve seeds is another chronic problem. Especially members in the cereal cooperatives that produce twice a year mentioned that due to delay in delivery of improved seeds, harvesting of the first production season has been delayed and this followed interruption on the second season production. There has been also lack of communication and collaboration between supporters who deliver improved seeds. Moreover, in a focus group discussion, members of the cooperatives indicated that, there has been a miss conduct and embezzlement by appointed officials of Wereda Rural Development Bureau (which is the sole government appointed provider of improved seeds to farmer is the area). For example prepaid money for purchase of improved seeds is fraud, and improved seeds are sold to traders at higher price.

ii. Marketing Agricultural Outputs by Coffee and Cereal Cooperatives

Under the current free market situation, farmers have faced the difficulty of high competition in the market. To alleviate this difficulty, the role of cooperatives has become bigger than ever before. In the case of output market, the market share of cooperatives is very low due to shortage of finance, poor infrastructure, inadequate and poor quality warehouse, and weak entrepreneurship skills including business management, planning and financial management.

Due to the problems mentioned above, members got insufficient and delayed returns for their output. Cooperatives are unable to meet bank's loan repayment/payback period, meet market demand of their members and acquire modern processing machines to deliver quality product and hence compete in the market. This is particularly true in case of Cereal Marketing Cooperatives as the coffee markets are better structured specially by the recent efforts made by the Ethiopian Commodity Exchange (ECX), Fair Trade and USAID.

Apart from this argument the product marketing role of both types of cooperative (coffee and cereal) seems promising. The four primary cooperatives in the study undertook product

marketing services in their own areas of engagement i.e. coffee by Hafursa and Konga of Yirgachefe Coffee Cooperative Union and different types of cereal crop products especially maize and Haricot by Kayo and Shello-Belela of Sidama-Elto Cereal Cooperative Union. Though cooperative output marketing seems sluggish in some cases, the performance in other cases seems encouraging. For instance, some members in both coffee and cereal cooperatives indicated that such marketing services by their respective cooperatives have enabled them to generate additional income improved their expenditure and build their own assets. These services by cooperatives can benefit the local community at large through its spill-over effect, and thereby enhance their productivity and livelihood.

Though there are still so many areas to be enhanced to be more competitive in the markets in the local area and the market opportunities available elsewhere in the country (e.g. Hawassa), the cooperatives have played encouraging roles in linking the producers directly with the market opportunity available by avoiding the middlemen who are considered to be basic contributors of unfair trade. However, the prevailing marketing capacity and network in these case areas are not yet well developed to their best levels as these cooperatives are also constrained by most of the problems mentioned in the previous paragraph.

3.3.2 Cooperatives in Capital accumulation and asset building

Cooperatives can play central role in promoting local communities capital accumulation and asset building which in turn are central for the overall socio-economic development. As agreed by the majority of respondents, both type of cooperatives promoted less to local people's asset building and capital accumulation, which in turn could help to promote local employment and income generation opportunities and there by contribute for development livelihood of the local communities and the growth of the locality. Though there is a lot to be done, some of the members in both coffee and cereal cooperatives improved investment expenditure in long term maturing assets such as houses, farm aid tools and home equipments. Weather the money is shared directly in the form of divided or indirectly through incomes from price of output, it can positively contribute to local economic development.

Reinvesting locally generated resources (i.e. own fund) and external resources such as loan within a given locality is helpful to ensure overall wellbeing. This could further promote

diversity in income sources or local business development both inside and outside agriculture and there by accelerate local employments which are vital for reducing rural poverty. Furthermore, it can promote investment in social welfare activities such as schools health centers, roads and other social infrastructures. However, respondents stated that the cooperatives are not performing well in this regard in ways that adequately ensure the realization of benefits to their members.

Regarding asset building, both coffee and cereal types of the cooperatives are not doing much. The investment made by either the cooperatives or their members is either absent and/ or inadequate with no trend of improvement. Asset is not building because of the absence of meaningful and sufficient dividend incentive, daily consumption oriented expenditure trends and poor culture of saving and investment. Moreover, accumulation of capital of these cooperatives seems undermined by hosts of constraining factors such as lack of adequate participation of members, operational inefficiencies, lack of diversified activities, lack of commitment on the part of leaders, financial and technology bottlenecks and lack of adequate government and other stakeholders support.

3.3.3 Cooperatives in Enhancement of Social Infrastructure

In principle, the role of cooperatives is to go beyond mere economic sphere and includes participation in valuable social welfare activities and provision of social safety net services. But this is not the case of the four primary cooperatives in the two unions. It is understood from the study that primary cooperatives are involved in only limited social services. Though in a limited extent, the cooperatives involved in some social services such as education, health care, electricity, village roads and other social welfare issues. For instance, members from Hafursa primary cooperative in the coffee union particularly indicated that the cooperative built additional classes for primary schools of the two neighboring kebeles. On the other hand, members from Konga primary cooperative of the same union stated that their cooperative provides a transportation service to the community for both members and non members using its truck car to local health centers and even remote hospitals in the case of emergency illnesses. Few members from the cereal cooperative union also indicated that they got electricity facility from their cooperatives at least in collaboration with government and NGOs in the area.

Cooperatives are found to be important community-based organizations in linking the local people with different development actors. The importance of their partnership in accessing local community is acknowledged by different institutions. Literatures indicated that many government and non-governmental organizations are now working with cooperatives in effectively addressing their respective objectives. Yet the existing linkage between cooperatives and other development actors such as government institutions, NGOs, private sectors and other community-based organizations in the study area seems inadequate in accelerating the realization of development potential of these development partners. The integration between the cooperatives in the study area is virtually weak except few instances such as financial and material borrowing in the case of Konga and Hafursa of Yirgachefe coffee cooperative union and common membership in the case of Kayo and Shello-bellela of Sidama-Elto cereal cooperative union. NGOs found in the area who are partners of the cooperatives such as Fair Trade and USAID in the case of Yirgachefe coffee cooperative union; and Goal Ethiopia, Meserete Korstos Church, Self help Africa (SHA) and Plan Ethiopia in the case of Kayo of Sidama-Elto cereal cooperative union are operating in uncoordinated and isolated fashion.

3.3.4 Cooperatives in Improving the Voice and Representation of Vulnerable Members

Promoting local community participation and empowerment is one of the most important means by which cooperatives can play a central role in the mobilization of resource for the development of a given locality so as to reduce poverty and improve livelihood. Cooperatives can empower their members and the community through awareness creation, reducing gender gap, participatory decision making in elections, and political commitment to ensure access to assets, safeguard their socio-economic, political and legal rights and infrastructural facilities. In the case of the coffee and cereal cooperatives, members had heterogeneous outlooks. All members participate in election process of leaders and the general assembly decides on matters such as divided distribution and share prices. The management committee is accountable to the general assembly and reports to Wereda Cooperative Promotion Office which is mandated by government to supervise and support cooperatives. The level of awareness of members on the operation of cooperatives is limited but the cooperatives have a mandate to empower their members especially the disadvantaged. Such tasks were found to be unsatisfactory for most of the respondents in both coffee and cereal cooperatives.

On the other hand, visible deficiency is seen in enabling women to become active and strong members in both coffee and cereal marketing cooperatives. The coffee and cereal cooperatives have not done much to develop the full potential of women members that would benefit the well-being of the rural community as a whole. Women members need to be empowered and increase their capabilities through education, and skills training, primary health care and promotion of family planning. Gender dimensions cut across all aforementioned issues and should therefore be at the fore front of pro-poor development policies. In this regard the coffee and cereal cooperatives need to play the initiative role to review and implement new reforms and actions to enable women members have access to assets so as to make them less vulnerable, and creating social safety nets that would help them come out of poverty.

CHAPTER FOUR

4. CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

The study on the Role of Agricultural Marketing Cooperatives in Reducing Rural Poverty is conducted using a case study on two unions in Southern Nations Nationalities and Peoples Region: Yirgachefe Coffee Farmers Cooperative Union and Sidama Elto Cereal Farmers Cooperative Union. The former is found in Gedeo zone. It is engaged in production, processing and marketing of coffee. The later is found in Sidama zone and it is engaged in marketing of cereal crops. Data was gathered from members of four primary cooperatives, two from each case study union. From the findings of the study the following conclusion is drawn.

The agricultural marketing cooperatives addressed in the study made considerable economic contribution to members in rural community on agricultural cost reduction, increased produce price, local access to markets, reduction in marketing risks and illumination of abnormal practices of private traders. As a result, the attitude of members towards their respective cooperatives is optimistic and they feel that cooperative business brought some sort of improvement in the living condition of the people in their community and suggest/wish the cooperative business to continue and expand. However, the cooperatives are unable to bring the desired progress on generation of economic activities, asset building, women's participation/empowerment and participation in local community affairs. This is the reason why most of the cooperative members are still living in a poor standard of life as majority are deprived of most elements of the 2010 OPHI's multi dimensional poverty index.

Towards this end, the study identified many bottlenecks and challenges that should be addressed such as low standard of performance, poor management, capacity limitations, corruption and misuse of funds by the executives of cooperatives and unions, narrow scope of services and lack of collaborative work. If the cooperatives work to avoid these bottlenecks, they can further develop and bring remarkable changes in the living standard of the rural poor.

4.2 Recommendations

Based on the findings of the study, the following recommendations are forwarded.

1. Members should use the income they generated from their cooperatives not only just to meet their household consumption needs but also to enhance potential income generating capacity together with investing on education and health care requirements. For this, there should be continuous awareness creation schemes through education, training and other means so as to enable them diversify income generation.
2. Building the capacity of cooperatives in introducing new crop seeds and technologies to increase productivity, acquisition of operational facilities and initiating active participation of women should be given due attention.
3. Agricultural marketing cooperatives that operate through apex organizations such as Unions and Federations take a unified negotiating position in dealing with the market actors. However, most of the time, these actors seem less concerned to the basic aim of the cooperatives, to improve their members living condition. To address this issue, due enforcement of regulations through effective supervision, members training, and ethics guidelines for management is very essential to guarantee that the benefits of cooperation will reach the poor rather than being captured by the elite/appointee or officials at local. Cooperatives must work to prevent corruption at the local level.
4. To be effective and acceptable, cooperatives must take the members view and their felt needs into consideration, regular dialogue among farmers, cooperatives and market authorities should be undertaken to resolve problems. To this end, cooperatives should be lead and managed by energetic, professional and dynamic persons.
5. For the rural population, gaining direct access to economic services is extremely important. Therefore rural cooperative credit and saving institutions/associations should be created, strengthened and linked to agricultural marketing.
6. In the absence of the development of formal social security system, cooperatives should create solidarity mechanisms to resolve ethnic and border disputes and restructure the informal traditional mutual aid systems such as idir by creating mechanisms to cover members unexpected expenses related to illness, death and other socio-economic problems like; draught and crop failures.

7. Cooperatives need the support of all stakeholders such as government, NGOs, think tanks and the private sector in terms of capacity building in the form of education, research, extension and marketing.
8. Finally, Agricultural Marketing Cooperatives can play a remarkable role to upgrade rural living and reduce rural poverty. However, their success requires a great deal of promotional effort, close follow-ups and investment in human and physical capital.

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Appendix 1

Instructions to the Interviewer

- I. Read out the introductory statement to the respondents
- II. During interview put '√' mark in the boxes provided or in proper cell and fill responses in the space provided otherwise
- III. Ticking in more than one box is possible when it is necessary
- IV. When the question is put in rating, put the number corresponding to each weight in appropriate box.

Identifications

- 🚩 Questionnaire code No. _____
- 🚩 Name of Union _____
- 🚩 Name of Cooperative _____
- 🚩 Type of Cooperative _____
- 🚩 Name of Interviewer _____
- 🚩 Date of Interview _____

DEAR RESPONDENT, THIS STUDY IS INTENDED TO EVALUATE THE ROLE OF AGRICULTURAL MARKETING COOPERATIVES IN REDUCING RURAL POVERTY. INFORMATION YOU PROVIDED WILL BE KEPT CONFIDENTIAL AND WILL ONLY BE USED FOR ACADEMIC PURPOSES. YOUR CO-OPERATION IN PROVIDING YOUR HONEST VIEW IS VERY MUCH APPRECIATED.

Thank you!!

1. General Background of Respondents

1.1. Sex 1. Male 2. Female

- 1.2. Age
- | | | | |
|-------------|--------------------------|-------------|--------------------------|
| 1. Below 18 | <input type="checkbox"/> | 4. 36-45 | <input type="checkbox"/> |
| 2. 18-25 | <input type="checkbox"/> | 5. 46-55 | <input type="checkbox"/> |
| 3. 26-35 | <input type="checkbox"/> | 6. Above 55 | <input type="checkbox"/> |

1.3. Educational level:

- | | | | |
|------------------------|--------------------------|---------------------------|--------------------------|
| 1. Illiterate | <input type="checkbox"/> | 5. Preparatory (11-12) | <input type="checkbox"/> |
| 2. Read and write only | <input type="checkbox"/> | 6. 1 st Degree | <input type="checkbox"/> |
| 3. Elementary (1-8) | <input type="checkbox"/> | 7. MA/MSc | <input type="checkbox"/> |
| 4. High school (9-10) | <input type="checkbox"/> | 8. Others (specify) _____ | |

1.4. Occupational Background of the Respondent:

- | | |
|---------------------------|--------------------------|
| 1. Farmer | <input type="checkbox"/> |
| 2. Crafts person | <input type="checkbox"/> |
| 3. Trader | <input type="checkbox"/> |
| 4. Government employee | <input type="checkbox"/> |
| 5. Private Co. employee | <input type="checkbox"/> |
| 6. NGO employee | <input type="checkbox"/> |
| 7. Others (specify) _____ | |

1.5. Household size _____

2. Household welfare status

2.1. Is/are there any Child/children aged 5 and above not attending school?

Yes No

2.2. Is/are there any Child/children died in the family? Yes No

2.2.1. If yes, at the age of _____

2.3. Does the house hold have electricity facility? Yes No

2.3.1. If yes, who delivered the facility?

- | | |
|---------------------------|--------------------------|
| 1. Government | <input type="checkbox"/> |
| 2. Cooperative | <input type="checkbox"/> |
| 3. NGOs | <input type="checkbox"/> |
| 4. Others (specify) _____ | |

2.4. Is there clean drinking water availability to the household? Yes No

2.4.1. If yes, how far it is? _____minutes walk from home.

2.4.2. If your answer to Q No. 2.4 is yes, who delivered the facility?

1. Government
2. Cooperative
3. NGOs
4. Others (specify)_____

2.5. The type of toilet that the household uses: private shared/public

2.5.1. If your answer to question no. 2.5 is Shared/public, Who built the toilet?

1. Government
2. Cooperative
3. NGOs
4. Others (specify) _____

2.6. The main material used for flooring of house: dirt sand dung

Others (specify) _____

2.7. The type of fuel used for cooking: wood charcoal dung

Others (specify) _____

2.8. What assets does the household have? (more than one answer is possible) Nothing

Radio Television telephone bike motor bike refrigerator
car or tractor others(specify)_____

3. Membership in the Cooperative

3.1. Relation of the respondent with the cooperative:

1. Member only
2. Member and employee

3.2. How did you become member of the cooperative?

1. Willingly
2. Forced by law
3. Forced by government department
4. Forced by ` the society
5. Others (specify) _____

O = NA 1 = Very low 2= Low 3 = Moderate, 4 = High 5 = Very high

- 1. Amount of registration fee
- 2. Amount of share price
- 3. Amount of periodic contribution
- 4. Length of time interval for periodic contribution

3.6. In your opinion, which group of the community becomes member of the cooperative most of the time (multiple answer is possible)

- 1. Low income groups
- 2. Middle income groups
- 3. High income groups
- 4. From all income groups
- 5. Others (specify) _____

4. Services of the Cooperative

4.1. What services does the cooperative render to its members? (More than one answer is possible)

- 1. Marketing agricultural inputs
- 2. Marketing agricultural produce
- 3. Marketing consumer goods
- 4. Credit/loan facility
- 5. Training, guidance and advice
- 6. Others (specify) _____

4.2. For those inputs or services the cooperative provides, how do you rate access to and quality of goods/or services relative to other currently available options?

- 1. No other option
- 2. Lower
- 3. Similar
- 4. Slightly better
- 5. Highly better

4.3. Can you access the goods/services of the cooperative on credit?

- 1. Yes
- 2. No

4.3.1. If your answer to the question 4.3 is yes, how do you rate the suitability of the credit repayment arrangement?

1. Very unsuitable 3. Suitable
 2. Unsuitable 4. Very suitable

4.4. How does the cooperative purchase your produce?

1. On cash 2. On credit 3. Both cash and credit

4.5. Does the cooperative provide you timely and sufficient return (fund) to your produce?

1. Yes 2. No

4.6. What type of post-harvest services does the cooperative deliver?

1. Warehousing 4. Shipment/transportation
 2. Grading 5. Market information
 3. Packaging 6. Others (specify) _____

4.7. Is there any education, training or information given to you by the cooperative?

1. Yes 2. No

4.7.1. If your answer to Q. No 4.7 is yes, what was the focus?

1. Political issues
 2. Cooperative nature and benefits
 3. How to apply new technologies
 4. How to generate income from different sources
 5. Others (specify) _____

4.8. For those goods that the cooperative currently markets/trades, please rate the accessibility and quality of market service provided relative to other/previous options.

(Use 1 = highly deteriorated, 2= Deteriorated, 3= Similar, 4= somehow improved,
 5 = highly improved)

No	Access to and quality of market provided by the cooperative	Rating				
		1	2	3	4	5
1	Adequacy of market service					
2	Availability of market at any time					

3	Availability of market at short distance (market proximity)					
4	Fairness of market price					
5	Other (specify and rate) _____					

4.9. How do you evaluate the cooperative's achievement in introducing new agricultural technologies?

1. Very poor 3. Good
 2. Poor 4. Very good

5. Economic Benefits

5.1. Does the cooperative pay you a regular dividend?

1. Yes 2. No

5.1.1. If your answer to Q. No. 5.1 is No, what do you think is the reason? (Multiple answers is possible)

1. The cooperative use the total surplus for investment purpose
 2. No surplus is generated by the cooperative so far
 3. The cooperative put the surplus in a bank for reserve
 4. For some other reason (please specify) _____
 5. I do not know the reason

5.1.2. If your answer to Q. No. 5.1 is yes, how frequent is the dividend payment?

1. Monthly 3. Annually
 2. Semi-annually 4. Other (specify) _____

5.1.3. If your answer to Q. No. 5.1 is yes, the dividend payment is sufficient to fulfill the basic requirements of your household.

1. Strongly disagree 3. Agree
 2. Disagree 4. Strongly agree

5.1.4. If your answer to Q. No. 5.1 is yes, what purpose did you spend the income received as dividend (multiple answers is possible)

1. for personal and family consumption
 2. for repayment of debt/loan

3. Deposited in a bank

4. Purchase/building of fixed/capital assets

5. Others (specify) _____

5.2. Do you think that being a member of the cooperative improved your expenditure?

1. Yes 2. No

5.2.1. If your answer to Q. No. 5.2 above is yes, how did it improve your expenditure (multiple answers is possible)

1. By increasing saving

2. By increasing asset building (investment in long term items)

3. By smoothing consumption

4. Others (specify) _____

5.2.2. If your answer to Q No. 5.2.1 above is asset building, what are the basic assets you built or bought after you become member of the cooperative? (Multiple answers is possible)

1. Built House

2. Purchased farm aids such as machineries and oxen

3. Purchased home equipments such as TV and refrigerator

4. Others (specify) _____

5.2.3. If your answer to Q. No. 5.2 is yes, which of your expenditure became better? (More than one answer is possible)

1. expenditure on daily consumption items

2. expenditure on children schooling

3. expenditure on family health care

4. expenditure on long term assets

5. others (specify) _____

5.3. Does the cooperative created additional income?

Yes No

5.3.1. If your answer to Q. No. 5.3 above is No, what do you think is the problem?

5.3.2. If your answer to Q. No. 5.3 above is yes, in what way the cooperative created additional income? (Multiple answers is possible)

1. By securing higher price for my produce
2. By lowering input costs
3. By creating employment opportunities
4. By introducing new and efficient technologies
5. By providing training to increase productivity
6. Others (specify) _____

6. Participation in Community Affairs

6.1. In what type of community development activities has the cooperative participated so far? (Multiple answers is possible) (NA means not applicable) 0 = NA, 1 = Very unsatisfactory, 2 = Unsatisfactory, 3 = Satisfactory, 4 = Very satisfactory

No	Community/social affairs	Level of participation				
		0	1	2	3	4
1	Education (school building and so on)					
2	Health care services					
3	Utilities (water and electricity)					
4	Housing					
5	Environment (sanitation)					
6	Conflict resolution, peace building and social cohesion					
7	Avoiding harmful practices and norms					
8	Fostering good citizenship					
9	Others (specify and rate) _____					

6.1.1 If your choice on Q. No. 6.1 is 'education' how did the cooperative involved in educational activities?

1. building schools
2. purchasing school materials
3. hiring of teachers
4. covering school fee for those unable to pay
5. others (specify) _____

6.1.2 If your choice on Q. No. 6.1 is 'health care', how did the cooperative involved in health care activities?

1. building clinics and health centres
2. purchasing clinical materials
3. hiring of health workers
4. covering medical costs for patients who are unable to cover
5. others (specify) _____

7. Empowerment of men and women

7.1. Level of awareness on the different aspects of the cooperative

0 = Nil 1= Very little 2 = Little 3 = Well 4= Very well

No	Cooperative aspects	Level of awareness				
		0	1	2	3	4
1	Objective of the cooperative					
2	Rights of Members					
3	Duties and responsibilities of members					
4	Management committee members of the cooperative					
5	Types of services provided by the cooperative					
6	Number of members of the cooperative					
7	Current capital of the cooperative					

7.2. Do you participate in the election process of leaders of the cooperative?

1. Yes 2. No

7.2.1. If your answer to Q. No. 7.2 above is No, what do you think is the reason?

1. The system does not allow me
2. I am not willing to participate
3. For some other reasons (please specify) _____

7.2.2. If the answer to Q. No. 7.2 above is yes, how do you participate?

1. In general assembly
2. In representative committee
3. Others (please specify) _____

7.3. How do you evaluate the commitment of the cooperative in empowering you?

1= Very unsatisfactory

2 = Unsatisfactory

3 = Satisfactory

4 = Very satisfactory

No	Strategies	Level of Satisfaction			
		1	2	3	4
1	Political commitment to serving and protecting your political, economic, social and legal rights				
2	Policy reforms and actions to enable you to gain access to assets so as to make you less vulnerable				
3	Education and health care for all				
4	safe water and sanitation				
5	Social safety nets to prevent you from falling in to destitution or to rescue from disaster				

8. Overall views of respondents

8.1. The cooperative promotes access to credit service for the local community

1. Strongly disagree

3. Agree

2. Disagree

4. Strongly agree

8.2. The cooperative promotes access to input for the local community

1. Strongly disagree

3. Agree

2. Disagree

4. Strongly agree

8.2.1. Are there major problems you encountered so far with respect to access to inputs?

8.2.2. What do you think should be the remedial action to overcome the problem/s?

8.3. The cooperative promotes access to market for output/produce for the local community?

- | | | | |
|----------------------|--------------------------|-------------------|--------------------------|
| 1. Strongly disagree | <input type="checkbox"/> | 3. Agree | <input type="checkbox"/> |
| 2. Disagree | <input type="checkbox"/> | 4. Strongly agree | <input type="checkbox"/> |

8.3.1. Are there major problems you encountered so far with respect to access to market for output? _____

8.3.2. What do you think should be the remedial action to overcome the problem/s?

8.4. The cooperative promotes capital accumulation/asset building by the local people?

- | | | | |
|----------------------|--------------------------|-------------------|--------------------------|
| 1. Strongly disagree | <input type="checkbox"/> | 3. Agree | <input type="checkbox"/> |
| 2. Disagree | <input type="checkbox"/> | 4. Strongly agree | <input type="checkbox"/> |

8.4.1 What should the co-operatives do to promote local capital accumulation/asset building/?

8.5. Do you think that there is improvement in your livelihood after being a member of the cooperative?

- | | | | |
|-------------------------|--------------------------|--------------------|--------------------------|
| 1. No change at all | <input type="checkbox"/> | 3. To some extent | <input type="checkbox"/> |
| 2. Insignificant change | <input type="checkbox"/> | 4. To large extent | <input type="checkbox"/> |

8.6. Do you suggest a cooperative business should continue?

- | | | | |
|--------|--------------------------|-------|--------------------------|
| 1. Yes | <input type="checkbox"/> | 2. No | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|

8.7. Do you think that a cooperative business brought improvements in the living condition of the community? Yes No

8.8. Would you please state the major strengths and weaknesses of the cooperative?

Strengthes _____

Weaknesses _____

8.9. What should the cooperative do to promote the improvement of quality of living in rural areas?

Appendix 2

Official's Interview guiding questions

1. What are the criteria to be a member of the cooperative?
2. What are the rights and duties of the cooperative's members?
3. How is the dividend distribution system?
4. How is the cooperative controlled?
5. To whom audit report is presented?
6. In what type of community development activities does the cooperative participated so far?
7. What about future plan?
8. What is the role of the cooperative in equity distribution of wealth?
9. Are there major factors that constrain efficiency and goal achievement of the cooperative?
10. What remedial action do you suggest to solve these problems?
11. What are the partner organizations to the cooperative?

Appendix 3

Guiding issues for Focus Group Discussions

The role of the cooperative in reducing rural/local poverty

- ✓ The economic benefits of the cooperative
- ✓ Social development promotion role of the cooperative
- ✓ Problems related to the contribution of the cooperatives' role in socio-economic development of the locality
- ✓ Remedial actions needed

Declaration

I, the undersigned, declare that this is my original work and has not been presented for a degree in any other university, and all source of materials used for the study has been duly acknowledged.

Declared by: **Alemu Tereda**

Signature _____

Date: June 16, 2010

Confirmed by advisor:

Name: **Tegegne Teka (PhD)**

Signature _____

Date _____