

MEKELLE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF COOPERATIVES STUDIES



**PERFORMANCE EVALUATION OF COFFEE MARKETING COOPERATIVES UNION:
THE CASE OF CHERCHER ODA BULTTOM COOPERATIVES UNION
WEST HARAGHE, OROMIA REGION, ETHIOPIA**

BY:

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A THESIS

**SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE
MASTER OF ART DEGREE**

IN

COOPERTAIVE MARKETING

Advisor: Abadi Teklehaimanot (PhD)

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the case of Chercher Oda Bulttom Farmers' Cooperatives Union
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September, 2013

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DECLARATION

I, **Mr. Nigusie Legesse Feleke** declare that this thesis, entitled **“Performance Evaluation of Coffee Marketing Cooperatives Union : the case of Chercher Oda Blttom Farmers Cooperatives Union in West Harerghe Zone Oromia Region, Ethiopia”** submitted by me for the award of the Degree of Master of Cooperative Marketing of Mekelle University at Mekelle, is my original work and it has not been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other University or Institution. And also all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as obliged by these rules and conduct, I have fully cited and referenced all materials that are not original to this work.

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Certification

This is to certify that the thesis **“Performance Evaluation of Coffee Marketing Cooperatives Union: the case of Chercher Oda Blttom Farmers Cooperatives Union in West Harerghe Zone Oromia Region, Ethiopia”** submitted as a partial fulfillment of the requirements for the award of the Degree of Master of Arts in Cooperative Marketing to the College of Business and Economics, Mekelle University, through the Department of Cooperative Studies, done by **Mr. Nigusie Legesse Feleke** ID.No. ID NO.CBE/PS 008/03 is an authentic work carried by him under my guidance, the matter embodied in this work has not been submitted earlier for award of any degree or diploma to the best of my knowledge and belief.

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BIOGRAPHICAL SKETCH

The author was born in west Harerghe of Oromia region in 1976. He completed his primary, junior and secondary education in Hirna No 2 Primary, Hirna No1 Junior School and Hirna High school respectively. After passing the Ethiopian School Leaving Certificate Examination (ESLCE), he joined the former Awasa College of Agricultural in October 1996 and graduated with Diploma in the field of General Agriculture in July 1997. Starting from October 1998 up to September 2000 he served in Oromia Regional State of Daro Labu district in cooperatives promotion office as a marketing and credit expert. From October 2000 to January 2005 he was working in Oda Bultom (former Kuni) district as head of cooperatives promotion office at district level. From February 2005 until he has working at Chercher Oda Bultom Farmers Cooperatives Union as a General Manager of the Union. The author was joined Haromaya University for his BA degree in summer program and graduated on September 13, 2010 in cooperative business management.

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Performance Evaluation of Coffee Marketing Cooperatives Union: the case of Chercher Oda Bulttom Farmers Cooperatives Union in West Harerghe Zone Oromia Region, Ethiopia

ABSTRACT

Ethiopia is among the poorest countries in the world where agriculture is the major source of living for more than 83% of its people. The agriculture sector is dominant in the national economy. However, its performance in production and productivity is poor to bring sustainable changes in the living standards of the rural community. Among others, underdeveloped agricultural marketing system is a chief factor responsible for the poor performance of the sector. Nevertheless, the principal factor for the low income per household in the Ethiopian rural society especially farmers in the study area is the problem of the market that can govern the economic development of any development sector. Thus, the overall objective of the study is to analyze marketing performance of coffee marketing farmers' cooperatives union and members' satisfaction in west Harerghe Zone Oromia Regional state of Ethiopia. To see the performance of cooperatives union, emphasis was given for evaluating their overall marketing performances; ratio analysis Marketing Margin analysis, market share coverage analysis and members' participation and satisfaction as well as perceived problems in using the available services. To accomplish this, a two stage sampling technique was applied. The first stage involves purposive sampling of 5 primaries coffee marketing cooperatives from the 15 coffee marketing primary cooperatives in which one primary cooperative selected from each five district bounded with in Chercher Oda Bulttom coffee marketing farmers' cooperatives union. In the second stage, random sampling of individual member farm households was employed. Fourteen coffee trades were also randomly sampled and assessed to analyze their market behavior. A total of 120 member households of cooperatives were considered for this study and was included in the econometric model. In addition, secondary data obtained from relevant institutions were used. Simple percentage analysis, ratio analysis, descriptive and econometrics model was employed to identify determinants of the performance of cooperatives in achieving their objectives and participation of the members. As a result, although the coffee marketing cooperatives union was efficient in reference to computed efficiency ratios and in minimizing total gross marketing margin, the overall performance was inefficient due to the shortcoming in the performance of market share coverage and service provision. As the result computed from probit regression model indicates, Total Land Holding, Total Family Size and Total Number of Members negatively influence the overall satisfaction of members at 1% level of significance while Education Level is negatively associated with the satisfaction of members on the overall performance of cooperatives union at 5% level of significance. The Total Live Stock Holding is also positively associated with the satisfaction of members on the overall performance of cooperatives at 5% level of significance.

Keywords: Financial performance; Market share; Marketing margin; Members Satisfaction

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ACRONYMS AND AVERIVATIONS

ADLI: Agricultural Development Led Industrialization

CBE Commercial Bank of Ethiopia

CBO: Cooperatives Bank of Oromia

CSA: Central Statistics Agency

EU: European Union

FCA: Federal Cooperatives Agency

FAO: Food and Agricultural Organization

FDRE PCC: Federal Democratic Republic of Ethiopia Population Census Commission

GDP Gross Domestic Product

ICA: International Cooperatives Alliance

ILO: International Labor Organization

MT: Metric Tone

MoARD: Ministry of Agriculture and Rural Development

MoFED: Ministry of Finance and Economic Development

MPCSs: Multi-Purpose Cooperative Societies

NGOs: Non-Governmental Organizations

ORCA: Oromiya Regional Cooperatives promotion Agency

RMS: Relative Market Share

RuSACCOs : Rural Saving and Credit Cooperatives

TLU: Tropical Livestock Unit

UNDP: United Nations Development Program

VOCA- Voluntary Overseas Cooperative Alliance

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

In many countries, and virtually every less developed country, agriculture is the biggest single industry. Agriculture typically employs over fifty percent of the labor force in less developing countries with industry and commerce dependent upon it as a source of raw materials and as a market for manufactured goods. Hence many argue that the development of agriculture and the marketing systems which impinge upon it are at the heart of the economic growth process in less developing countries (FAO, 2006). However, the rural poor in developing countries are often at a competitive disadvantage in the wider economy because of persistent market, state and institutional failures. For example, smallholders may face difficulties in selling their small agricultural surpluses because of the prohibitively high transactions costs incurred in assembling, transporting and marketing these surpluses. Smallholders may be unable to access necessary public sector services needed to sustain and improve their livelihoods services such as input supply, output marketing, credit provision, or conflict mediation because the state's infrastructure is insufficiently responsive to their needs. Smallholders may also face long-term difficulties in managing scarce common-pool resources because local socioeconomic institutions fail to emerge and establish commonly-accepted systems to govern the resources' use and to resolve conflicts.

Agricultural co-operation has been in practice since the Babylonian civilization. However its present form owes its genesis to the industrial revolution in Britain in the 19th century. The co-operatives were formed to take advantages of economies of scale against exploitation by middlemen and traders and share the benefits "equitably" among the members. Consequently, cooperatives are always found to be engaged in economic activities promoting increase in income and thereby enhancing living standards. All agriculture cooperatives are formed around a common "commodity" or "group of similar commodities" e.g. thrift cooperatives around savings and credit (Asia & Africa), dairy co-operatives around milk (India), oilseeds co-operatives around oilseeds (India), coffee growers cooperatives around coffee (Ethiopia) etc. 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. 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.

The economies of many countries are currently undergoing transformation to adjust to market oriented reforms. In a number of countries, government policy has consisted of approaches that resulted in less rather than more effective operation of cooperative organizations. Cooperative organizations have often been created from above without the genuine participation of members. As a result the members have, in many cases, become alienated from what should have been their own organizations, with little or no influence on issues that should be of direct concern to them, such as the marketing and pricing of their own products. The potential of genuine cooperative organizations to contribute to rural development based on popular participation has to a large extent been wasted and the very concept of cooperative self-help has fallen into widespread disrepute FAO (1998). At present, cooperative organizations all over the world are facing the task of transforming and adjusting themselves to a new economic and political environment, market oriented conditions and increasing member demands. This means a need to learn new production methods, new methods of organization and management, and in particular, ways to help maintain or increase, member loyalty and commitment. This can be achieved through increased participation, communication and information provided the organization's core activities are efficient in meeting members needs.

Ethiopia has a total area of 1.222 million square kilometers and has more than 78.646 million populations (CSA, 2007), of which 85 per cent of the population is engaged in agriculture. The agricultural sector is the primary source of food supply, which is characterized by fragmented small farms operated by household farming families. And the agriculture sector is dominant in the national economy. However, its performance in production and productivity is poor to bring sustainable changes in the living standards of the rural community. Among others, underdeveloped agricultural marketing system is a chief factor responsible for the poor performance of the sector. Nevertheless, the principal factor for the low income per household in the Ethiopian rural society especially farmers in the study area is the problem of the market that can govern the economic development of any development sector.

Coffee is the single most important tropical commodity traded worldwide, accounting for nearly half of total exports of tropical products. According to the International Coffee Organization (ICO) cited by FAO, (2009), worldwide imports of all forms of coffee of all origins reached 6.1 million tons in 2008, up by an average 2.4 percent annually since 2000, when worldwide imports stood at 5.1 million tones.

The EU is the world's largest importer of coffee, accounting for 66 percent of worldwide imports, or 4 million tones, in 2008, followed by the United States (24 percent, 1.5 million tons) and Japan (7 percent, 423 602 tones) FAO, (2009) .

Ethiopia is the origin of Arabica coffee. Coffee is deep-rooted in both the economy and culture of the country. Though coffee is a traditionally worldwide traded cash crop with new markets emerging, many coffee-dependent developing countries such as Ethiopia are struggling with production and marketing of their coffee. In the early 2000s, a historic world market price slump hit millions of coffee farmers hard, especially smallholder producers in Africa and Latin America (Ponte, 2002), (cited by, Pradyot Ranjan Jena, 2012). Coffee certification in Ethiopia is mainly undertaken within cooperative systems being historically rooted in local Agricultural Service Cooperatives established in the 1970s by the then military derg government. Since the 1990s, the ruling government in Ethiopia, the EPRDF-led government, promoted restructuring of cooperatives in the coffee sector and formation of coffee cooperative unions as umbrella associations. Moreover, based on the effort of existing Government, in Ethiopia till the end of 2011 there are 41,983 primary cooperatives which have 2,714,760,176 birr of capita and 278 cooperatives unions with their total capital of 1,373,602,629 have been established at federal level (FCA 2012). At the same time, In Oromiya Regional state 11,321 primary cooperatives, 113 cooperatives unions and 2 cooperatives federation with their working capital of; 1,021,146,701, 975689818 and 25,170,576 respectively have been organized (ORCA, 2012).

In line with these realities, the research was attempt to analyze the role and functions of cooperatives Union in coffee product marketing through evaluating its performances, analyzing members' participation and identifying the constraints of cooperatives marketing. Besides, in the research, an attempt was made find out issues which require further research and investigations so that other researchers can easily come up with outstanding recommendations to enhance cooperatives' contribution in the economic development of the country.

1.2. Statement of the Problem

A number of reasons may be discussed as the main cause of low income in Ethiopian farmers in general, and in study area in particular. The main problem is lack of modern marketing system that could enhance producers' share of market price due to insufficient movement of agricultural cooperatives to develop bargaining power of producers through farmers direct market strategy. Enabling rural poor people to have better access to markets is one of the key strategic thrusts within its broader objective of reducing rural poverty (IFAD, 2003). Efficient and organized marketing is essential for the healthy growth of any community. It benefits the producer as well as the consumers. Unregulated markets involve a long chain of intermediaries before the commodity reaches the final consumer, with the result that the cost of the commodity becomes exorbitant. This sort of arrangement is neither in the interest of the producer nor the consumer (Eleni Z., 2004) . In an agricultural economy, the private marketing system leads to economic exploitation. Therefore, significant roles are expected from agricultural cooperatives in providing efficient and effective marketing system that can develop strong market linkage between producer and consumer in order to capacitate producers to set the price rather than taking the price on agricultural product marketing (USAID, 2006). Consequently, Progress made to date in Ethiopia clearly demonstrates that the negative attitude toward cooperatives has been reversed. Ethiopia serves as an excellent example to other countries that socialist cooperative societies designed to serve solely the interests of the government can be successfully rehabilitated and revitalized as market-oriented private business organizations Tesfaye A., (2002). However, the survey has revealed that, further empirical investigation should also require about the performance of the Cooperatives Union to draw sound recommendation that will help to maximize the owner's satisfaction (Demeke, 2007). Hence, the performance of coffee marketing cooperatives should be evaluated from time to time since they are expected to genuinely perform their marketing activities and provide adequate services to their members. Furthermore, based on cooperative principles, value and objectives; empirical investigations in areas of cooperatives unions' marketing performance, the extent of member's satisfaction on the services provided by the cooperatives union should critically considered. This study therefore, was aims at evaluating the overall performance efficiency of coffee marketing cooperatives union, elaborate the marketing channels available in the area, evaluate the level of members' satisfaction and assess the constraints of coffee product marketing cooperatives union.

1.3. Research Questions

To achieve the objectives of this research, the following research questions are taken as indicators to study.

- 1) How is the performance of coffee marketing Cooperatives Union in allocating and managing its finance ?
- 2) Is there any difference of marketing margin between cooperatives marketing channels and traders marketing channels of distribution?
- 3) What do the performance of Coffee Marketing Cooperatives Union looks like in controlling the market share of coffee product marketed in the area?
- 4) What do the members satisfaction looks like on the marketing services provided by their coffee marketing cooperatives union? And
- 5) Is there any challenges that may hinder the performance of coffee marketing cooperatives union?

1.4. Objectives of the Study

The general objective of this research is to evaluate the overall performance of coffee marketing farmers' cooperatives union and satisfaction of members on the services provided by their cooperatives union in west Harerghe Zone of Oromia Regional State.

The specific objectives of the study are:

1. To analyze financial performance of coffee marketing Cooperatives Union.
2. To elaborate marketing margin and its difference with in cooperatives marketing channel and traders marketing channels.
3. To investigate market share coverage performance of coffee marketing farmers' Cooperatives Union.
4. To analyze satisfaction of individual members on the services provided by their Cooperatives Union.
5. To identify the challenges that may hinder the performance of coffee marketing Cooperatives Union in effectively performing its marketing activities.

1.5. Scope of the Study

This study was conducted on individual members of five purposively selected member primary coffee marketing cooperatives which are members to coffee marketing cooperatives union in West Harerghe Zone Oromia Region. The study will investigate the performance of coffee marketing cooperatives union, Explore the degree of members' satisfaction with the marketing services provided by their cooperatives union and identify the existing market channels and problems encountered the performance of coffee marketing cooperatives union with special reference to Chercher Oda Bulttom Farmers' Cooperatives Union. The result of this study will contribute to understand the determinants of the performance of coffee marketing cooperatives.

1.6. Significance of the Study

The result of this study will be important feed back to the cooperatives union to improve its performance in its overall marketing activities and in providing acknowledgeable service to its members. Additional lessons learned from these co-operatives union could be applied to the betterment of other cooperatives performing the agricultural product marketing activities. Identification of the determinants of performance of coffee marketing cooperatives and members' satisfaction will be an important input for designing appropriate intervention to boost success and for policy formulation in the area of cooperatives movement.

1.7. Limitation of the study

In the study area, Chercher Oda Bulttom Cooperatives Union of West Harerghe, the study was accomplished with the following limitations:

1. There was the shortage of reference books related to Cooperatives Marketing that could clearly identify the marketing behavior of cooperatives to that of other business firms.
2. Lack of current and most relevant secondary data related to agro ecology, land use and population size rather than that of obtained from population census of 2007 from central statistical agency.

CHAPTER TWO

2. LITRETURE REVIEW

The purpose of this chapter is to review previous study of cooperatives, local and international, focusing on investigating the evolution of the movement and some general concepts and practices. As to the researcher's knowledge no in-depth empirical study has been conducted on the Cooperative Societies in West Harerghe of Oromiya region. Therefore, the study intends to fill the gap and the review on relevant literature is presented in this chapter.

2.1. Basic Concepts and Definitions of Cooperatives:

Cooperation has been the very basis of human civilization. The inter-dependence and the mutual help among human beings have been the basis of social life. It is the lesson of universal social history that man cannot live by himself and for himself alone. The spirit of association is essential to human progress. Since the beginning of human society individuals have found advantage in working together and helping one another; first in foraging, then in hunting, later in agriculture and still in manufacture. Cooperation has been the essence of social life and human progress. However, the innumerable forms of cooperative action in socioeconomic life are the result of cooperative instinct and the innate corporate feeling among human beings. The spontaneous cooperation that flows from social feeling, coupled with the economic rationale of synergistic effect of collective action, has led to the genesis of formal cooperation (Pitchai, 2006).

2.1.1. Definitions of Cooperatives

Cooperation has been the very basis of human civilization. The inter-dependence and the mutual help among human beings have been the basis of social life. It is the lesson of universal social history that man cannot live by himself and for himself alone. The spirit of association is essential to human progress. Since the beginning of human society individuals have found advantage in working together and helping one another; first in foraging, then in hunting, later in agriculture and still in manufacture. Cooperation has been the essence of social life and human progress. However, the innumerable forms of cooperative action in socioeconomic life are the result of cooperative instinct and the innate corporate feeling among human beings. The spontaneous cooperation that flows from social feeling, coupled with the economic rationale of synergistic effect of collective action, has led to the genesis of formal cooperation (Pitchai, 2006). Therefore, A cooperative is 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.

2.1.2. Values and principles of cooperatives

i. Values: Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

ii. Principles cooperatives:

According to Abadi and Hailu (2013), The cooperative Principles at present are nothing but the Statement on the Cooperative Identity, which was approved in the Manchester Centennial Congress 1995.

Statement on the Cooperative Identity - 1995: There has been a concern among cooperators in recent years that there has been a serious erosion in the values of cooperation and the same was echoed in ICA Tokyo congress held in 1992. The Congress, therefore, recommended ICA Executive Committee to initiate the process to review the current ICA Cooperative Principles as amended in 1966 and make recommendations for the possible change. As a result, ICA General Assembly in Manchester in September 1995 approved the draft including the statement of Cooperative Identity which includes a definition and, values and principles. The following is the poster of ICA on Statement on the Cooperative Identity,

1st Principle: Voluntary and Open Membership

Cooperatives are voluntary organizations; open to all persons able to use their services and willing to accept the responsibilities to membership without gender, social, political, or religious discrimination.

2nd Principle: 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, and cooperatives at other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably to the capital of their 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 the 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.

4th Principle: Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into 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 economy.

5th Principle: 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.

6th Principle: Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structure.

7th Principle: Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

1.3. Cooperative Business Compared with Investor Owned Business

In order to have a better understanding of cooperative management, it is necessary to understand the distinct features of cooperative business. According to G.Veerakumaran 2007, The cooperative business can be distinguished from investor owned business in the following respects:

1. A private investor owned business is essentially a union of capital; a cooperative is essentially a union of people.
2. The former is an organization of investors; the latter is an organization of users.
3. The former is organized by entrepreneurs to attract and serve customers; the latter by people to serve themselves.
4. The former is controlled by majority of shares; and the latter by a majority of persons who are members.
5. In the former control by proxy in common palace, whereas in the latter proxy voting is rare and found only in those organization where it is required by general legislation.

6. In the former surplus earnings or profits are distributed as decided by the board of directors; in the latter they belong to user members and are distributed by the membership in annual meeting, usually as recommended by the board.

7. In the former invested capital is employed in three ways: to earn interest, gain profit and exercise control. While in the latter capital is permitted only for the first function.

8. In the former parliamentary action and constant vigilance are needed to prevent foreign domination. The latter system guarantees native control of enterprise.

9. In the former equity shares are generally traded freely and are priced at whatever the market will bring; in the latter they can be redeemed only by the permission of the board and at par value.

10. The former is a closed system; and the latter has a long record of openness and freedom of access.

2.2. Cooperatives movement in Ethiopia

It is evidence that, modern cooperative merged after the industrial revolution of 1844. This era was the cooperative to function as legal entity. But the history of cooperative was related to the time of human being come to live in our world. Modern cooperative started in Ethiopia in 1960 during the regime of Emperor Haile Sillassie I. however, Before the stated years and still today people are organized through traditional cooperatives (Pitchai, 2006)

2.2.1. Traditional Farmer's organizations

In Ethiopia farmer's organizations have a long history. The traditional forms of farmer's organizations were not formal types rather they were informal. These organizations vary from place to place according to the culture and economic activities of the area where they undertake their activities. The traditional self-help groups may be classified into two main categories. These are: work groups whose members help each other in rotation or jointly carry out farming activities like (Jigie, Wonfel) and rotating saving and credit type association whose members make regular contributions to a revolving loan fund (Iquib). However, these traditional organizations have not yet been developed to the modern cooperatives or any other kind of business organization (Zerihun, 1998).

2.2.2. Modern Cooperative Movement in Ethiopia

Modern form of cooperatives started in Ethiopia during the ruling era of Emperor Haile Selassie I. Emperor Haile Selassie I was Ethiopian ruler during 1932-1974. In 1960 the first legislative called “Farm Workers Cooperatives Decree” was declared as Decree No.44/1960. The objectives needed to enact this decree were: To accelerate the development of the agricultural economy of the country. The organization of cooperative enterprise was believed to be as it can contribute measurably to this end. And it was also found necessary that the proper framework be created for the establishment of such cooperative enterprises (Bezabih E., 2012). However, it did not work well because the scheme met various problems that arose directly or indirectly from the then landlords who feared that the project/scheme would eventually diminish the tenant work force on which they totally depend for cultivation.

According to Bezabih (2012) Cooperative as a legal institution first came into being in Ethiopia in 1960s. Ethiopian Air Line Workers’ Saving and Credit Cooperative was established in 1956. During the socialist government i.e. the Derg regime (1974-1991), cooperatives were formed to assist implementation of the government policy of collective ownership of properties. It was then triggered by reforms to the sociopolitical system. Violation of cooperative principles proved to destabilize cooperative movements in Ethiopia as most of the cooperatives were dismantled following the downfall of the socialist system; During this time, cooperatives were forced to operate in line with socialist principles, which meant that production and marketing of produce were done collectively. Membership to cooperatives was also compulsory, which goes against the basic cooperative principle of voluntarily participation. Were instruments for implementing government policies; leaders loyal to government. Were also especially supported by the government (privileged loan by development bank of Ethiopia)

During the change of Derg Regime by the present government of 1991, the negative view towards cooperatives was manifested in the actions of the farmers looting and destroying of the properties and records of their own cooperatives. The audited cooperatives were certainly not more than 25%. The current free market economic policy believed on the importance of the cooperatives. Furthermore, the cooperatives are expected to perform a great role in the marketing of goods and services to satisfy the needs of producers and consumers. The present government issued a proclamation on agricultural cooperatives societies named proclamation number 85/94 in 1994 (Zehirun, 1998). This proclamation incorporates the international cooperative principles; however, its focus was only to solve the agricultural cooperatives problems.

In addition there was no separate entity to support these cooperatives both at federal as well as regional level. To solve all the problems and gaps with relation to organization of cooperatives in the country, a proclamation was enacted called cooperatives proclamation number 147/98 in 1998. This proclamation has accepted all the international standardized cooperative principles which were issued by the International Cooperatives Alliance and it also permits to establish federal and regional cooperatives promotion bureaus.

At present, cooperatives are playing significant role in the rural Ethiopia economy specially, in the area of input supply, saving and credit, coffee and grain marketing. The establishment of cooperative unions in coffee and cereal growing areas, as well as the start up of Cooperatives Federation as apex cooperatives organization in areas of grain, coffee, dairy and saving & credit activities is a great deal achievement to improve the agricultural marketing system in the country in general, and increasing the livelihood of the farmers and the general citizens in particular. As a narrative report of ICA - Africa 1st January to 31st December 2005, Although cooperatives are recognized as strong vehicles that can be used to effectively economic and social development in Africa, their potential is not fully exploited in Africa. They are yet to be developed to be able to fully play their role as private economic enterprises and development agents. Despite some successful cases, the movement is in need of a strong support to address its multifaceted problems, ranging from poor organizational, institutional and financial capacities, to poor human, governance and business abilities(ICA, 2005). By the present economic policy and rural development strategy of the country, cooperatives are taken as pertinent institutions or tools to advance the livelihood of the general population

2.3. Members' Participation:

The concept of Members' participation in cooperatives denotes (i) members participation in the General assembly, (ii) members participation in the election and (iii) members participation in the business. The following paragraphs deals with the concepts and results of the study. General assembly means a meeting of members of the primary cooperatives or representatives of societies above primary level. The supreme organ of any society shall be the general assembly (Section 20 of Proclamation No147/1998). The general assembly of a society shall pass decisions after evaluating the general activities of the society; approve and amend the by-laws and internal regulations of the society; elect and dismiss the members of the management committee, control committee and when necessary the members of other sub-committee; determine the amount of shares of the society; decide on how the annual net profit of the society is distributed; give decision on the audit report; hear work reports and give proper decision; decide that a society either be amalgamated with another society or be divided in pursuance of this proclamation; approve the annual work plan and budget; decide any issue submitted by the management committee and other committees.

2.4. Performance appraisal and Key Result Areas in Cooperatives

Efficiency is the watchword of modern management. It is of special importance to cooperatives because of their twin elements in their objectives and operation, namely, Association and Enterprise; and the need to achieve a blend of success in both.

The 'Operational Efficiency' is an elusive concept, which has several connotations. An umbrella concept, which ignores the nature, size and operation of the specific cooperative organization, may prove to be nebulous. It is therefore necessary to understand certain broad criteria for measuring the operational efficiency of cooperative organizations. The Encyclopedia of Social Sciences has outlined, "Efficiency" as "the ratio between input and output, efforts and results, expenditure and income, cost and the resulting pleasure." The Dictionary of Social Sciences has defined Operational efficiency as "the ability to achieve the desired goal with economy of time and effort in relation to the amount of work accomplished." According to this definition operational efficiency means the achievement of the target specified by minimum time and effort. In other words, it is the ratio between input and output. The criterion of efficiency dictates the choice of that alternative which produces the largest result for the given application of resources.

Jesdanwhlla (cited by Veerakumaran, 2006) has defined Operational Efficiency as, "the effectiveness or competence with which a structure performs its desired functions." According to the above definition, the concept of efficiency includes the effectiveness. While organizational efficiency in a narrow sense, is concerned with how well an organization performs a given technology, while in a broader sense it includes organizational effectiveness, which is a measure of the quality of relationship an organization has with its environment.

Thus the efficiency in the broader sense includes not only the efficiency in the transformation process but also the efficiency as realized in the environment. It is in this sense the concept of efficiency must be understood in social organizations like cooperatives.

Dimensions of Operational Efficiency: When we closely examine the concept of operational efficiency in the context of a cooperative organization, we may arrive at four distinct aspects of the concept.

A. Technical Efficiency: Technical efficiency pertains to technical competence of an organization. In other words technical efficiency relates to such matters, which are concerned with the specialized technical knowhow in the respective field of activity.

It may relate to the improving productivity of industrial work process such as mechanization, rationalization etc.

Similarly in each area of specialization, improving Technical Efficiency can increase productivity. For this purpose norms have to be evolved in each technical aspect for improving Technical Efficiency.

B. Economic Efficiency:

The Economic Efficiency on the other hand implies the realization of maximum output from given resources. Alternatively it also implies minimization of inputs required for realizing a given output of goods or services. It involves the elimination of waste and reduction in high cost. In short economic efficiency lies in judicious use of financial and other resources and devising cost effective methods of operation.

C. Functional Efficiency:

It is the resultant efficiency realized from the first two aspects of operational efficiency. The performance or results are again determined by functional performance such as financial performance, production performance, marketing performance etc. It reflects the managerial and organizational efficiency more clearly in terms of results and performance.

D. Social Efficiency:

Every organization is a part of larger environmental system. Often the goals of an organization extend beyond itself having environmental implication. In other words the ability of an organization to bring about desired changes in the environment is one more dimension of the concept. In the cooperative organization the concept of efficiency should be understood more from the non-profit point of view. In the opinion of H.A. Simon, sighted by (Veerakumaran 2007) the criteria of efficiency are more complicated in its application to non-commercial than to commercial organizations. Therefore, operational efficiency in cooperatives should not be viewed in the restricted sense of economic and technical aspects. In cooperatives the operational efficiency is better judged externally.

According to (Veerakumaran 2007), From this angle two more aspects of efficiency should be included as far as cooperatives are concerned.

1. Efficiency with Reference to Members: It is an attempt to measure efficiency from one basic criterion: to what extent the members have been benefited from the cooperative and to what extent members' aspirations and needs have been met? A cooperative cannot claim to have attained efficiency unless it fulfills the above criterion.

2. Efficiency with Reference to Society: Efficiency in the broader sense is the measure of quality of relationship an organization has with environment. In general the extent to which larger social purpose is achieved through the organization such as price control, fair distribution etc., will indicate the social responsibility of an organization. Their impacts in the environment such as waste recycle and pollution control will reflect its environmental friendly character. Criteria for Measuring Operational Efficiency of Cooperatives

From the above analysis specific criteria may be identified for measuring the Operational Efficiency of cooperative enterprises.

1. Ability to achieve technical efficiency and economic performance
2. Ability of the cooperative to maintain the cooperative character by observing cooperative values such as democracy, autonomy etc.
3. Ability of the cooperative to satisfy the members' aspirations by meaningfully relating the enterprise objectives with individual goals
4. Ability of the cooperative to enlist the participation of members in such aspects as equity, business profit sharing and democratic control
5. Ability of the cooperative to achieve larger social goals like promoting employment, generating income and improving the standard of living in the larger community
6. Ability of the cooperative to improve the managerial efficiency by setting realistic goals, evolving strategies, formulating programs and exercising effective control

2.5. Marketing management

Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services and value with others (Kotler, 2003). Marketing management is the analysis, planning, implementation, and control of programs designed to bring about desired personal or mutual gain first, it relies heavily on adaptation and coordination of product, price, promotion, and place for achieving effective response. According to kotler's definition of marketing based on the role it can play, there are two types' definitions

1. Social definition of marketing shows the role marketing plays in society (delivering a higher stand of living). It is a social process by which individual and groups obtain and want through creating offering and freely exchanging products and services of value with others.

2. Managerial definition: Marketing has often been described as “the act of selling product”

2.5.1. The marketing process

Planning at the corporate, division and business unit level is an integral part of the marketing process; but to fully understand that process, we must first look at how accompany defines its business. The task of any business is to deliver customer value at a profit (Kotler, 2003). More over in the aspect of cooperatives marketing, as they are not-for-profit type of business organization, the delivery of value able marketing service to members has to be considered as a pivotal part of their objective.

The value delivery sequence consists of three parts. The first phase, choosing the value represents that marketing must done before any product exist, the marketing staff must segment the market, select the appropriate market and develop the offering's value positioning. The second phase is providing the value. Marketing must determine specific product feature, price and distribution as part of tactical marketing. The task in the third phase is communicating the value. Further tactical marketing occurs in utilizing the sales force.

2.5.2. Marketing Channel

The producer and the final customer are part of a channel. Zero level channels (a direct marketing channel) consists a manufacturer selling directly to the final customer. Producers who do establish their own channels can often earn a greater return by increasing their investment in their main business. Marketing channels performs the work of moving goods from producers to consumers. It overcomes the time, place and possession gap that separate goods and services from those who need or want them. “The best way to get and keep customers is to constantly figure out how to give them more for less” (Kotler, 2003). Members of marketing channel perform a number of key functions of gathering information about potential and current competitors; they develop and disseminate persuasive communications to stimulate purchasing. They place orders with manufacturer. They acquire the fund to finance investment at different level in the manufacturing channels. They assume risk connected with caring out channel work. The crucial role of market linkages for rural poverty reduction has only recently received the attention it deserves in the development arena. More needs to be done, especially on the implementation side market linkage with the objective of improving the rural poor’s access to markets, and in this context, is seeking ways to: effectively increase the market share of the rural poor and improve the terms in which they participate in markets; achieve greater market access and market development for the rural poor; and effectively improve at national, regional and international levels the rules of trade in favor of the rural poor.

2.5.3. Direct Marketing

Direct marketing gives an organization access to the target market without intermediaries. The consumer is sold to inside their own home, office or farm. So it has the purpose of to develop the data base of customers and establish lifelong personal relationships with them. It also gives access to end customers directly. Moreover, in agricultural product marketing direct marketing helps the producers (farmers) to earn high selling price from their product by reducing cost of transaction on each levels of market channel so that direct market is an indispensable marketing strategy to small farmers in enhancing the return earned from agricultural product. Howe ever, it does require resource or at least partners with resource. For example sophisticated data base and export logistical system are required if dealing with thousands or sometimes millions of customers. in addition getting the right goods to the right customer on time in good condition requires expertise. Therefore; small farmers are need to organize together to develop their finance, knowledge, and skilled expert in order to compete in sophisticated direct marketing strategy through cooperative by establish joint venture.(Bayeh, 2008).

Moreover, small scale farmers those settling and producing agricultural products under scattered production system and also which are producing small amount and different in kind of produce from diversification type of production system should directly market their produce through cooperatives direct market strategy to join its importance in terms of earning the highest price; getting full information about what to produce, when and where to produce and also in terms of earning social communication and moral development.

Direct marketing saves time and introduces consumers to larger selection of merchandizes and can by the mailing lists contain the names of almost any group. It can be timed to reach prospect at the right moment and direct marketing material receives higher readership because it is sent to more interested prospects. Direct marketing permits the testing of alternative media and message in search of the most cost effective approach.

2.5.4. Customer Satisfaction

Satisfying customers is one of the main objectives of every business. Businesses recognize that keeping current customers is more profitable than having to win new ones to replace those lost. Management and marketing theorists underscore the importance of customer satisfaction for a business's success. Moreover, the best advertizing is done by satisfied customer (Kotler, 2003).

Total customer satisfaction: whenever the buyer is satisfied after purchase depend on the offer's performance in relation to the buyer's expectation. In general, satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a products perceived performance (or outcome) in relation to her or his expectation (Kotler, 2003).

2.5.5 Contribution of Cooperatives in attaining Fair Trade

Cooperatives are a fundamental part of the Fair Trade movement in that the majority of Fair Trade producers are members of various cooperatives. Cooperatives provide a support network for small farmers because they exist for their members by being democratically run, return profits to the producers, and provide technical training. These goals are very similar to the goals and standards of Fair Trade. Cooperatives provide a structure for farmers seeking to become Fair Trade certified through their support to farmers and collective power. As well, several cooperative principles meet Fair Trade standards, mainly, "freedom of association for farmers and workers, and democratic decision-making processes; [and] ... removal of unnecessary middlemen that decrease producer income (Kate Surber, 2005). Moreover, According to *MARC W., (1998)*, Marketing cooperatives enable producers to 1) correct market failure where prices are too low or buyers have left the market; 2) provide a service not available otherwise; 3) gain market power (negotiating power) against much larger buyers; 4) spread risks and costs; and 5) have enough volume to operate a processing plant efficiently or enough to meet the demands of buyers.

2.5.6. Agricultural Bargaining Cooperatives

Cooperative bargaining associations, or bargaining cooperatives, operate in many fruit, nut, and vegetable markets in the U.S., especially on the West Coast. In addition, bargaining cooperatives have performed a role in the U.S. milk industry (representing 25 percent of cooperative milk volume). Milk bargaining cooperatives in the dairy industry are especially instrumental in pricing activities of federal milk marketing orders. Currently in California, there are ten Bargaining Cooperatives which include the California Canning Peach Association, California Pear Growers, Olive Growers Council, Prune Bargaining Association, Walnut Bargaining Association, Apricot Producers of California, California Freestone Peach Association, California Tomato Growers Inc., Raisin Bargaining Association, and Vegetable Bargaining Association of California. These cooperatives represent a wide variety of programs, activities, and services, and have histories that date from the early 1900's to the 1980's. Prior to the 1950's, records of agricultural bargaining associations are fragmentary at best. Since 1950, it is clear that bargaining cooperatives have become an integral part of the food supply chain in marketing certain agricultural commodities and products. Bargaining cooperatives are generally organizations of agricultural producers that negotiate terms of trade with processor-buyers of their raw product (Jerome B. Siebert, 2001). They are distinguished from processing cooperatives that can process the produce of their members and market the processed products. Hence, bargaining cooperatives usually do not become involved with the handling of raw product, nor do they usually have mechanisms to control producer supply, although some exceptions occur. A primary objective of bargaining cooperatives is to increase grower returns through providing market power for its members in the marketplace. This action is referred to as "countervailing power" and challenges the market power of buyers. The extent to which this power may be achieved depends on the nature and structure of the market in which a bargaining cooperative operates.

2.5.6. Market share Analysis

Marketing management needs to track its market share in order to reveal how well the company is performing relative to competitors. According to Kotler P. 2003, It can be measured in three ways

1. Overall market share: The Company's market share expressed as a percentage of total market sales.
2. Served market share: Sales expressed as a percentage of the total sales to its served market. Served market is all the buyers who are able and willing to buy its product. Served market share is always larger than overall market. A company could capture 100% of its served market and yet have a relatively small share of the total market.
3. Relative market share: Can be expressed as market share in relative to its largest competitor. 'RMS>100% Market leader, RMS = 100% tied for the leader'. Rise in a relative market share means a company is gaining on its leading competitors.

2.6. Activities Involved in Agricultural Marketing

According to FAO (1998), Marketing begins at the farmers' field. Activities included in it are discussed below briefly.

A. Information and extension

It informs and helps the farmers about the world and domestic market so that they can adjust their production according to the demand. It also informs them about the quality, variety, whole-sale and retail prices of commodity.

B. Assembling the produce

The produce may be assembled either through personal delivery at the society's office or society may collect it from the farms. The society may establish collection centers in outlying areas or may set up mobile collection services which may visit the various collection points according to a fixed schedule.

C. Grading: Through grading, the society sorts out the produce into lots of uniform quality and characteristics. It would be advantageous to the society if it makes use of standard grades recognized by national or even international trading customs.

D. Storage: The store houses go downs or warehouses must be well planned in their size and design, which will largely depend upon the form in which the produce is to be sold. The go downs should be such as not to allow the goods to be spoiled, deteriorate in quality or weight and to be pilfered.

The responsibilities involved in the operation of a ware-house are enumerated below.

1. Prevention of infestation through regular cleaning I and spraying, testing or fumigating with chemicals.

2. Storage of the commodities according to its grade I and varieties separately.

3. The planned storage of perishable goods.

4. A regular and daily check on the quality of the produce stored.

E. Packing For the prevention of loss in handling in transit, the agricultural products, particularly fruits and vegetables must be properly packed.

F. Processing: It is done either to make the produce marketable or to avoid loss in quality before it reaches the consumer. This can be done by (1) changing the appearance or substance of the produce and (2) increasing durability through application of modern methods of preservation.

G. Selling: In selling the agricultural produce, co-operative societies can act either as an agent or as an independent trader.

H. Transportation: Transportation of agricultural produce from the farms to the buyers, marketing centers or processing centers is full of risks. The success of a marketing society will depend to a large extent on how it is able to solve its transport problems.

2.7. Basic Features of Agricultural Marketing

According to Anne L. and Patrick D., (2009), there are certain special features attached to agricultural marketing which is different from that of manufactured goods. They are explained below.

1. Perish ability of the product. Most of the farm products are perishable in nature, the period varying from a few hours to few months. Their perish ability makes it almost impossible for producers to fix! The extent of perish ability of farm products may be reduced by the processing function.

2. Season ability of production

Farm products are mostly seasonal and cannot be produced throughout the year. Thus the prices fall in the harvest season. However, the supply of manufactured products can be adjusted or made uniform throughout" the year.

3. Bulkiness of products

The characteristic of bulkiness of most farm products makes their transportation and storage difficult and expensive. This fact also restricts the location of production to somewhere near the place of consumption or processing. The price range in bulky products is higher because of the higher cost of transportation and storage.

4. Variation in quality of products

There is a large variation in the quality of agricultural products which makes their grading and standardization somewhat difficult.

5. Irregular supply

The supply of agricultural products is uncertain and irregular because of the dependence of agricultural production on natural conditions. With varying supply, the prices of agricultural products fluctuate substantially.

6. Small size and scattered production

Farm products are produced throughout the country and most of the producers are of small size.

7. Processing: Most of the farm products have to be processed before their consumption by the ultimate consumers. This processing function increases the price spread of agricultural commodities.

2.8. Agricultural Products Marketing Difficulties

According to Acharya S. S., (2006), Agricultural marketing in India is characterized by pervasive government intervention. The objectives and forms of intervention have, however, changed substantially over time. State intervention in agricultural marketing is by definition aimed at correcting perceived market failures. Several instruments of such state intervention in India have their origin in the experience of the Bengal Famine, where market failure occurred due to inadequate state intervention. In the current situation of agricultural surpluses, however, market failure is occurring due to excessive state intervention. Agricultural marketing has changed conspicuously during the last fifty years. The main reasons for this change are increased marketable surplus, increase in urbanization and income levels and consequent changes in the pattern of demand for marketing services, increase in linkages with distant and overseas markets, and changes in the form and degree of government intervention. Some basic features of the system and associated problems are: The market size is already large and is continuously expanding. Farmers' market linkages (both backward and forward) have also increased manifold. But the marketing system has not kept pace. Private trade, which handles 80% of the marketed surplus, has not invested in marketing infrastructure due to the excessive regulatory framework and dominance of the unorganized sector. Increased demand for value-added services and geographic expansion of markets demands lengthening of the marketing channel but this is hampered by lack of rural infrastructure. Direct marketing by farmers to consumers remains negligible. In the 27,294 rural periodic markets, where small and marginal farmers come to the markets, 85% lack facilities for efficient trade. For facilitating trade at the primary market level, 7161 market yards/sub-yards have been constructed but they are ill equipped. Food processing industry has a high income multiplier effect and employment potential. But in India the value addition to food production is only 7%, mainly because of the multiplicity of food-related laws. Due to poor handling (cleaning, sorting, grading and packaging) at the farm gate or village level, about 7% of grains, 30% of fruits and vegetables and 10% of seed species are lost before reaching the market. An estimated Rs. 50,000 crore are lost annually in the marketing chain due to poorly developed marketing infrastructure and excessive controls. State Agricultural Produce Markets Regulation (APMR) legislation hampers contract farming initiatives, which otherwise can be highly successful. Farmers shifting to higher-value crops face increased risk of fluctuation in yield, price and income. While agricultural price policy and associated instruments have induced farmers to adopt new technology and thereby increase physical and economic access to food, they have reduced private sector initiative and created several other problems in the economy.

2.9. Performances of Agricultural Marketing in Ethiopia

A well-functioning agricultural market is an important element of agricultural development program. It could enable farmers to get a fair proportion of consumers' price, enhance farm income and, consequently, allow the process of agricultural intensification to deepen further with a positive impact on poverty reduction. The weak performance of the agricultural markets (both input and output markets) in Ethiopia has been recognized in various studies as a major impediment to growth in the agricultural sector and the overall economy. With an inefficient marketing system, the surplus resulting from increased production benefits neither the farmers nor the country (Eleni Zewde, 2004).

According to Ethiopia Commodity Exchange Monthly Newspaper Volume 1 | Issue 3 | February, (ECX, 2011), All coffee categories (Washed Export, Unwashed Export, Specialty Export, & Local Use Coffee) had been transacted at the ECX Exchange floor during the 21 sessions in the month. Unwashed export coffee departed the month controlling floor attention with 51% of the volume and 63% of the value followed by Local use coffee, Washed Export, and Specialty Export in row. Compared to last year coffee volume traded made a 19% growth substantially from the new season regular Washed Export and Specialty Washed. Average price for the month made an advance ranging from 18% for Washed Export to 2% for Specialty and Unwashed that is highly attributed but not limited to local & international factors endowing suppliers' strong bargaining power. Shortage of quality Arabica beans & speculators rush to pile up stock due to poor supply projection from Central and Latin America associated with bad weather and fungus affecting coffee beans had been major price fuelling phenomenon upon which suppliers' base their quote and buyers accept for. USD's level of strength against other major economy currencies was another common denominator affecting price in all commodity markets around the globe. The devaluation effect and market information empowered growers charging higher price were some of the major local factors affecting daily closing price at the ECX Exchange floor. Performance generally is controlled by measuring factors such as profitability, sales, market share, shareholder value, employee productivity, and customer satisfaction. Although variables are analyzed, managers usually consider a number of standards simultaneously that combine to provide an overall measure of performance.

Even though the most common variables that are used to represent an organization's performance are quantitative (e.g., net profit, return on equity), many qualitative measures (e.g., customer satisfaction, attitude change toward the company or its products) are also considered in an overall assessment of performance. For example, a firm might consider the efficiency of its operation based on cost containment and contribution margins and the productivity of its personnel who make goods in the factory, sales people who call on the company's customers, or the rate of new product introduction in to the market. Qualitative factors that are more elusive, and hence more subjective, help management gain a better understanding of overall performance. For example, customer satisfaction, product quality (as it is perceived by the customer), and return on investment in advertising can be combined with quantitative factors in measuring performance (Anderson and Vincze, 2000).

2.10. Meaning and Definition of Co-operative Marketing

Co-operative marketing may be considered as a process of marketing of producer which enables the growers to market their produce at better prices, followed by the intention of securing better marketing services, and ultimately contributing to improvement in the standard of living of members. It is significant to note that a society consisting of a group of people simply for the purpose of selling commodities produced by other cannot be called a co-operative marketing society. A co-operative marketing society must be a society of agricultural producers joining together with the object of selling their own produce.

2.10.1. Importance and Need of Co-operative Marketing

Organized marketing is of considerable significance to the economy of a country. This is because the imperfections in the marketing system constitute a major constraint on the production. Efficient marketing organization is, therefore, vital to the health and well, being of a community. The whole program of production individually or collectively, with all our national effort in planning would be of no value if it is not followed by a sane and sound marketing policy.

In fact, a well organized co-operative marketing structure is an essential pre-requisite for large scale increase in co-operative credit. Under the "crop loan system" there is a shift in the emphasis from land to 'crop' as the main security, and linking of credit with marketing would provide a built-in mechanism for recovery of production loans also.

Moreover, the marketing structure developed by the cooperatives especially in agricultural product marketing is paramount important in empowering the rural livelihood (Abadi, 2010).

Due to the small holding and scanty output of our farmers it is difficult as well as expensive to sell any commodity in small lots. Secondly the smaller the amount of produce for sale, the larger will be the number of hands through which it will pass, which if not unproductive is surely uneconomical. In such circumstances, the principal hope of the small producer lies in organizing co-operative societies and thereby joining hands with his fellow producers to undertake the marketing of his produce.

There are number of reasons which justify the establishment of co-operative marketing structure. Some of them are discussed here.

1. The malpractices existing in marketing system can be removed to a great extent through the introduction of co-operative marketing structure.
2. There exist a large number of middlemen who take part in collection, storage, financing, grading, sale and transportation of agricultural produce. Their charges are out of proportion and producers do not get their due share of the price paid by the consumers. Co-operative marketing, if efficiently organized, can help in reducing the price-spread between the producer and the consumers.
3. Co-operative marketing is an essential prerequisite for large scale expansion of co-operative credit. Co-operative marketing societies are expected to ensure a better return to the farmer of the produce raised by him with the assistance of loans from co-operative sources.
4. The marketing system integrated in a co-operative manner would perform functions of assembling, grading, processing, storage and transportation, insurance financing, etc.
5. Co-operative marketing of agriculture produce is necessary not only for the attainment of maximum efficiency but also for improving the economic conditions of the producers by strengthening his bargaining power.
6. Co-operative marketing would educate the cultivator in the production, preparation for market of his produce, provide sufficient volume of produce to make efficient grading possible and bring the producer into direct contact with export market and with large consumers in the country.

The necessity of co-operative marketing may also increasingly be felt as the future of co-operation depends to a large extent on its development. Co-operative opinion is fast molding to the fact that the credit movement would hardly succeed unless it is linked effectively with marketing. Co-operative marketing is now considered to be a logical corollary of co-operative credit and one without the other is incomplete and imperfect.

2.10.2. Role of Co-operative Marketing

According to (Bayeh, 2008), co-operative form of organizations can play a significant and predominating role in improving the system of agricultural marketing. Co-operative marketing plays a significant role in the following area.

1. Optimization in resource use and output management

An efficient co-operative marketing system can contribute to an increase in the marketable surplus by reducing losses arising out of inefficient processing, storage and transportation.

2. Increase in farm income

An efficient co-operative marketing system guarantees the farmer better price for farm products and induces them to invest their surplus in the purchase of modern inputs so that productivity and production may increase.

3. Widening the markets: An organized and well-knit co-operative marketing system widens the market for the products by taking them to remotest corners of the country i.e. to areas far away from the production points.

4. Growth of agro-based industries: The improved and efficient system of agricultural marketing helps in the growth of agro-based industries and stimulates the overall development process of economy.

5. Employment: A well integrated co-operative marketing system provides employment to millions of persons engaged in various activities, such as packaging, transportation and processing.

These co-operatives can render efficient and useful coordination between producer and consumer which will counteract the exploitation tendencies of the greedy, traders.

2.10.3. Aims & Objectives of Co-operative Marketing

The broad aim of co-operative marketing societies is to rationalize the whole marketing system so that it may be beneficial to the producer. Its immediate objective is to strengthen the bargaining capacity of the cultivator so as to secure him better price and eliminate the superfluous middlemen. The chief objects and aims of co-operative marketing society are briefly given below.

1. Strengthen the bargaining capacity of the cultivator.
2. Secure the member a better price for their produce.
3. Eliminate superfluous middlemen.
4. Provide members the needed finance.
5. Persuade the farmer to grow better quality goods.
6. Stabilize the price.
7. Develop fair trading practices.
8. Provide the facility of grading and transportation.
9. Act as an agent of government for procurement and implementation of price support policy.
10. Promote the economic interest of its members by encouraging self help, thrift and better farming among members.
11. Act as a distributive center for agricultural requisites such as seeds, implements etc.
12. Help in the expansion of co-operative credit program by linking marketing with credit through the activities of:
 - A. Control of market: The marketing society will be in a position of control of a large column of business; it will succeed in effecting real economics in services like assembling, grading, storing, risk bearing etc.

B. Better prices: The marketing societies will enable the farmer to get more prices for his produce as they will strengthen his bargaining capacity.

C. Safeguards against price rise: A co-operative society will not speculate and will be a safeguard against price rise, as its object is not to increase prices but to keep them steady.

D. Credit facilities: As a marketing co-operative society is in a position to obtain finance at lower rate of interest from central co-operative banks and other agencies, it would be possible for it to provide credit facilities to farmer at reasonable terms.

E. Supply of quality goods: The consumers will also be benefited by the marketing societies. At a fair price, they will get better quality goods which have been properly graded and tested by these societies.

F. Help in growing better crops: By providing agricultural requisites like fertilizers, seeds, pesticides, etc., a marketing society also helps its members to grow the best crops and thus to increase its yields.

G. Division of surplus: The profit of a marketing society becomes the property of members and the same is divided in proportion to the contribution they have made to the co-operatives.

H. Educative value: Co-operative marketing has been strongly advocated because of its highly educative influence. No influence is so important in the economic education of farmers as their own efforts in co-operative marketing. They also serve an important function in supplying information on many issues which affect the economic status of farmers. In most of the cases, the managerial staff too do not possess adequate skills in business management, and consequently try to follow the conventional method of marketing. Where the managers are recruited from the open market, the salaries paid are often too small to attract experienced and talented persons.

2.11. Marketing Margin Analysis

Major constraints of agricultural product marketing can be identified as either linked to weak infrastructure or to missing institutions. In terms of infrastructure, major concerns are the weak access of smallholder farmers to roads, as well as limited telecommunications and storage infrastructure. These weaknesses contribute to the high cost of transport as well as of other physical marketing costs, such as storage, handling, etc. Thus, marketing costs amount to some 40 to 60 percent of the final price, of which some 70 percent is due to transport (Eleni Z. Iann Goggin, 2005).

However, co-operatives often come into being in markets and geographical areas considered as marginal in terms of profit potential by most other forms of commercial business enterprise (FAO, 2006). Margin is difference between price or value. Wollen and Tuner [11] (cited by Ghorbani,2008) defined all costs in marketing path-from harvest of product in farm to pre consumption- as marketing margin. So, marketing margin is a part of commodity price that producer doesn't receive. Difference in price between producer and retailer is defined as marketing margin. Therefore, we can calculate marketing margin as: $MM = RP - PP$

Where MM is the marketing margin, RP is retail sale price and PP is the producer price.

Shares: Shares are one of the important measures for determining optimum performance of marketing channel, computed as follows: $\text{Producer Share} = \frac{PP}{RP} * 100$

2.12. Empirical Studies

Performance of cooperatives has always been a topic of considerable interest in agricultural economics, primarily because of the significance of the cooperative form of organization in both developed and developing countries. Traditionally, cooperatives have been encouraged as a vehicle for economic development, because the cooperative form of organization, in addition to being equitable, enables small producers to capture economies of size and increases their marketing power. The nature of cooperatives as social organization/Association/ and economic organizations/business enterprises/ give them an opportunity to have dual objectives. Economic success is basic to the achievement of co-operative purpose for, in the long run, unprofitable enterprises cannot be sustained.

On the other hand, they have social obligation to pursue for the successful achievement to the very concepts of equity and fair dealing. Mostly the potential of co-operatives, and the extent of their development, has, in many cases, fallen for short of expectations. Low standards of performance, bad management, financial failure, corruption and misuse of funds, use of co-operatives for political ends, have been common features of co-operative enterprise in several areas. In general, their contribution to market members' produce was very poor. Therefore, a concerted effort of primary cooperatives, governmental organizations, NGOs and the community is required to improve their role in input/output marketing.

Limitation of cooperatives to use qualified manpower, the management capacity of the cooperatives' board of directors and other employed workers were the most important obstacles identified as a finding. Accordingly, they suggested education and trainings, improving their financial capacity through encouraging members' financial contribution and enhancing participation of the farmers to patronize are among the possible solutions to improve their weak performances (Jemal, 2008).

According to Demeke, (2007) coffee marketing cooperative were inefficient in reference to both computed efficiency ratios, income ratios and creditworthiness ratios. Basically farmers should be owners, user and controllers of their cooperatives. But, in the study area, it was observed that some farmers were using other marketing channels (traders) to sell their coffee. On the other hand, cooperatives in the study area use collectors to purchase coffee from farmers. However, No research has been conducted in the study area, Chercher Oda Bulttom farers cooperatives union in West Harerghe of Oromiya Regional state.

Therefore, This study focus on analyzing the performance of coffee marketing cooperatives union which has been recommended as a gap to bold the inefficient performance of primary coffee marketing cooperatives (Demeke, 2007) as well as focus on empirical investigation of performance and members satisfaction of coffee marketing cooperatives union specifically in the context of the study area of West Harerghe zone.

2.13. Conceptual framework of the study

As indicated in the diagram below, Unlike other business firms in which their main objectives are to maximize capital and net earnings, cooperatives are aimed at rendering service at reasonable price on the basis of mostly considering the value of social welfare. Therefore, the performance of cooperative should evaluated in terms of their achievement in the core areas of: Technical efficiency, Economic efficiency, Functional efficiency and Social efficiency through analyzing the related operation areas of: Financial Ratio Analysis, Marketing Margin Analysis, Market Share Coverage Analysis and Members Participation.

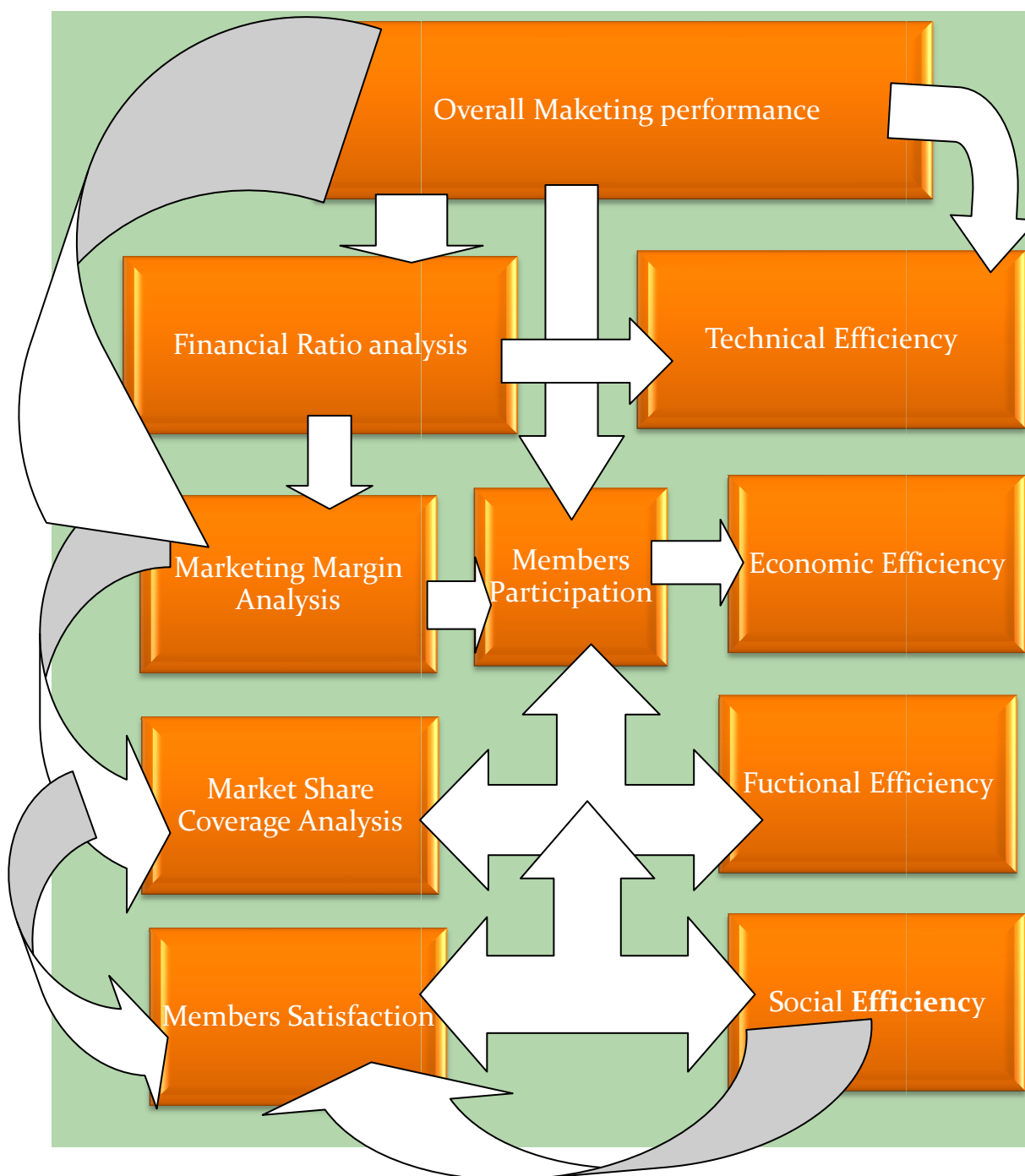


Figure 1 Conceptual framework

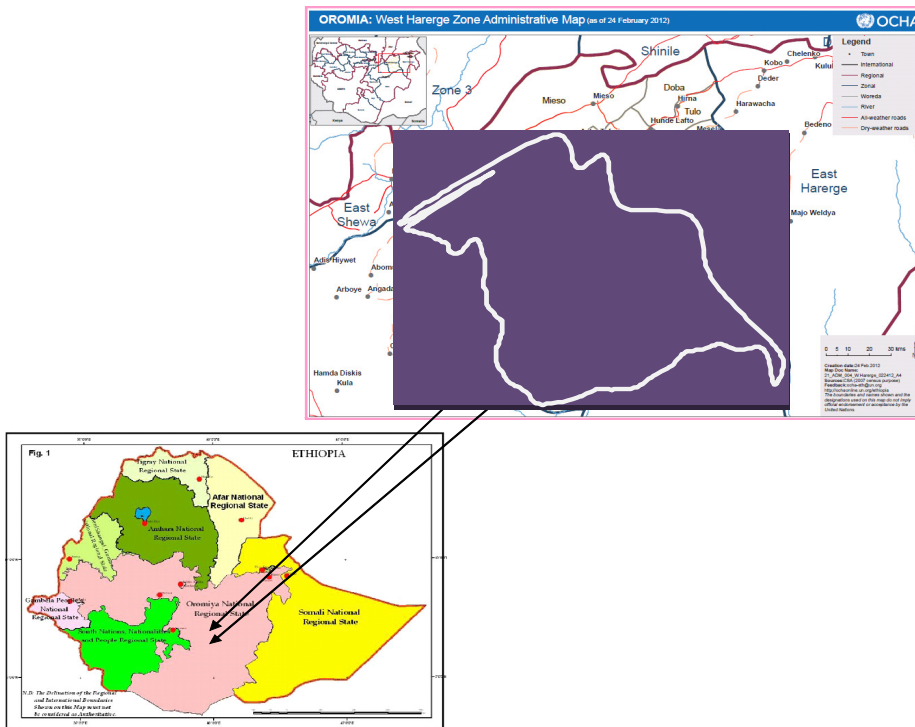
CHAPTER THREE

3. RESEARCH METHEDODOLOGY

3.1. Description of the study area

3.1.1. Geography and Location

The study was conduct in 5(five) Coffee producing districts bounded under Chercher Oda Bulttom Farmer’s Cooperatives Union, in West Harerghe of Oromia Region. The Union bound 7(seven) districts of West Harerghe Zone, in which 5(five) of them are mainly coffee producers. This study was performed in the selected 5(Five) coffee producing districts of West Harerghe. Chercher Oda Bulttom Farmers Cooperatives Union located in Oromia Regional state, West Harerghe Zone at Bedesa town which located 35 kilometer from zonal capital town (Chiro) and 352 kilometers from regional and national capital city (Addis Ababa). The total area (Districts) bounded under the working area of this cooperatives union is 2,957 Km². The area is border with East Haherghe in East, Arsi and East shewa in west, (Gemechis, Chiroand mi’esa) districts of West Harerghe in North and Bale Zone in South. The administrative map and location map of the study area are presented in Fig. 1.



Source: General Profile of the Oromiya National Regional State

Source: General Profile of the Oromiya National Regional State

Figure 2: Map of the study area.

3.1.2. Population characteristics

According to the secondary data obtained from agricultural development at zone and district level, based on the population census of 2008, the total population of the study area in the year 2008 is 812,990 from this 412,889 are male and the rest 400,092 are female. The population density of the area is 275 persons per square km. The area bounds 5 coffee producing districts in which 158 kebele of rural administrations are involved under its umbrella. In the area, there are about 83,693 total agricultural household in which 82,318 are male and the rest 1,375 are female.

Table 1: Population size and Agricultural Land holders in the study area

Name of Weredas	Population Characteristics			Agricultural land holders			
	Total	Male	Female	No of kebele	Male	Female	Total
O/Bul	182503	93409	89094	37	18150	113	18263
Habro	222238	115119	107119	32	19870	193	20063
Booke	94345	43590	50755	22	18550	515	19065
Gu/Ko	141669	72533	69136	29	8354	258	8612
Da/La	172235	88247	83988	37	17394	296	17690
	812990	412898	400092	158	82318	1375	83693

Source: Secondary data from West Harerghe Zone Agricultural Office

3.1.3. Farming system and land use

In the study area about 43307.36 hector 4.57 percent of the total agricultural land is used for the production coffee product, 249150.65 hector which is 26.04percent of the total agricultural land used for the production of Maize, sorghum and other cereals crops. 3230.57 hector 0.34 percent of the total land is used to produce kyat. And 51886.1 hector (5.42 percent of the total land), 152530.5 hector (15.94 percent of the total land) and 456798.8 hector (48.24 percent of the total land) are left with settlement, forest and (pastoral land and others) respectively. Moreover, In the area Based on its agro ecology, the cooperatives union was marketing the Harer "B" type of coffee in which the coffee product was directly collected from individual farm holders through their primary cooperatives. This farmer's direct marketing strategy can have an opportunity to improve the quality of coffee product by creating fair trade for their product that can alleviate adulteration and high marketing cost created by middlemen of the long chained traders marketing system existing in the area.

Table 2: Descriptions of the land use in the study area

No	Crop	Area (ha)	Percentage
1	Coffee	43307.36	4.57
2	Maize, Sorghum and Cereals	249150.65	26.04
3	Kyat	3230.57	3.37
4	Settlement	51886.1	5.42
5	Forest	152530.5	15.94
6	Pastoral land and Others	456798.8	48.24
	Total	956904.01	

Source: Computed secondary data obtained from West Hareghe Zone Agricultural Office.

3.1.4. Climate, soil and topography

The altitude of the study area is ranged from 890 to 1950 above sea level in which 8% of the study area is Dega (highland), 47% of the area is Weyina Dega (midland), and the rest 45% of the area is Kola (lowland). The average annual rainfall in the study area is ranged from 800mm to 1452mm. The average temperature of the study area is 26.35 Degree Celsius.

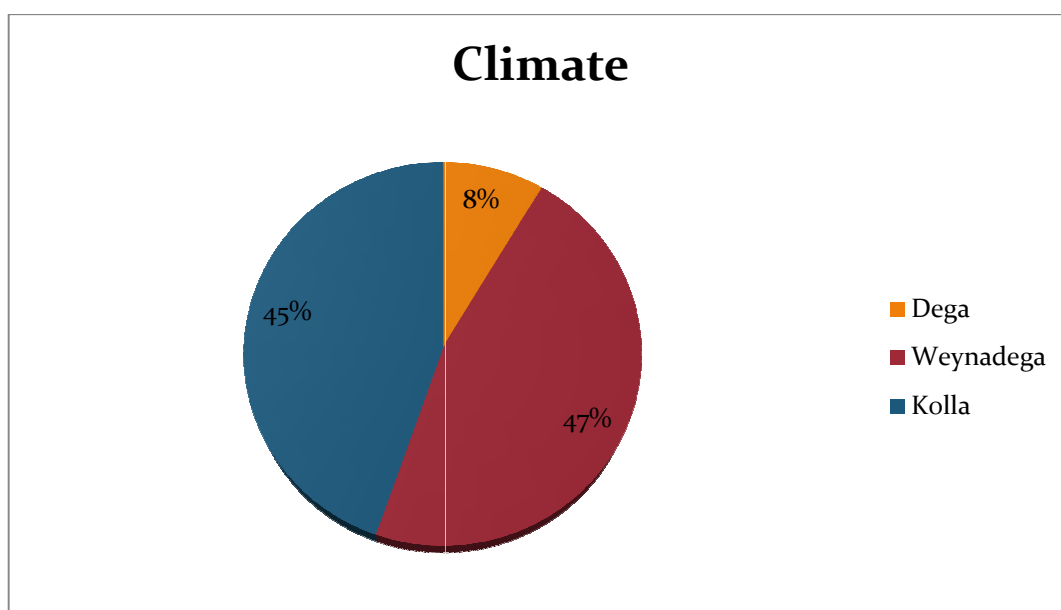


Fig 2

Figure 3 : Distributions of sampled households in the study area by their climate.

3.1.5. Coffee marketing cooperatives

The cooperatives union under the investigation ‘Chercher Oda Bultom Farmers Cooperatives union’ involves 73 primary farmers’ cooperatives as members in which 15 of them with total numbers of members of 3913 individuals were participate in coffee product marketing. The gender proportion of the number of member individuals are 442 individuals (11.29%) female and 3471 (88.71%) of them are male. The 15 member primary cooperatives were mobilizing a total of birr 1,789,677.63 capital while the coffee marketing cooperatives union currently owned the capital of 13,273,556.66 birr (Table 3 below and Appendix 1 balance sheet of the union). Moreover, the union has owned the seat in Ethiopian commodity exchange being the permanent member of the exchange to facilitate and widen its marketing activities in the global market.

Table 3: Coffee marketing cooperatives status in the study area

SN	Name of cooperatives	Number of Members				Capital
		Male	Female	Total	% of Female	
1	Mideedgu	295	45	340	12.30	93,145
2	Kolu	652	131	783	17	493,654
3	Dereku	73	-	73	0	193,469
4	kubsitu	380	77	457	16.84	295,324
5	Nedhidema	227	18	245	7.34	79,139
6	Kerensa	37	1	38	2.63	27475.89
7	AbdiGudina	299	16	315	5.07	227357.21
8	Waltahikanisaa	333	39	372	10.48	2161656.95
9	Mara gudis	214	5	219	2.28	39,656
11	Burqa Buna	275	31	306	10.13	32,654
12	ObolumaaTokuma	55	11	66	16.66	242732.82
13	AbdiiJireegna	246	13	259	5.01	23,423
14	CafeeLalisa	211	46	257	17.89	407782.45
15	WHG DaroGudo	174	9	183	4.91	129025.61
	Total	3471	442	3913	11.29	1,789,677.63

Source: Secondary data obtained from West Harerghe Zone Cooperatives promotion Agency.

3.1.6. Description of Chercher Oda Bulttom Coffee marketing Cooperatives

Chercher Oda Bulttom coffee marketing Cooperatives Union was founded in January, 2005 with the starting share capital of 714,000 birr and founder members of 62 primary cooperatives. As indicated in table 4 below, currently the Cooperatives Union has 73 member primary cooperatives in which 67.1% of them were contributed greater than 50,000 birr per each member as a share capital to the cooperatives union. While 20.5% of the total (75) members, 8.2% of the total (75) and 4.1% of the total (75) were contributed (50,000.01 - \$150,000.00) birr, (\$150,000.01 - 250,000.00) birr and 250,000.01+ birr respectively as a share capital in the cooperatives union.

Table 4: Distribution of members (primary cooperatives) by their contribution in investing their share capital in Chercher Oda Bulttom Farmers' Cooperatives Union.

Valid	Frequency	Percent	Valid Percent	Cumulative Percent
<= \$50,000.00	49	67.1	67.1	67.1
\$50,000.01 - \$150,000.00	15	20.5	20.5	87.7
\$150,000.01 - \$250,000.00	6	8.2	8.2	95.9
\$250,000.01+	3	4.1	4.1	100.0
Total	73	100.0	100.0	

Source: Secondary data from Chercher Oda Bulom Farmers Union.

3.2. Data Requirements and Sources

The secondary data required for this study was collected from various concerned organizations in which balance sheet and income statement from 5 years audit report of Chercher Oda Bultom Cooperatives Union that could enable to analyze the financial performance of coffee marketing cooperatives union. At the same time, the secondary data used to describe the population characteristics and agro ecological distribution of the area and the data used to analyze the quantity and price of coffee product marketed in the area were collected from West Harerghe Zone Agricultural Office and Ethiopian Commodity Exchange. The primary data used to evaluate members' satisfaction on service provided by coffee marketing cooperatives union and to analyze the determinants of coffee marketing performance in the study area were obtained from individual members of member primary cooperatives.

3.3. Sampling Technique

Probability sampling is also known as 'random sampling' or 'chance sampling'. Under this sampling design, every item of the universe has an equal chance of inclusion in the sample (Kothari, 2004). According to Kothari, Probability sampling under restricted sampling techniques may result in complex random sampling designs. Such designs may as well be called 'mixed sampling designs' for many of such designs may represent a combination of probability and non-probability sampling procedures in selecting a sample. Therefore, the primary data used to analyze members' satisfaction on the performance of coffee marketing cooperatives union and used to identify the determinants of the performance of cooperatives union were purposefully selected from the five districts namely: Oda Bulttom, Boke, Habro, Daro Labuu and Guba Koricha. Each of the five districts has three coffee marketing primary cooperatives total 15 coffee marketing primary farmers' cooperatives which are members of Chercher Oda Bulttom Farmers' Cooperatives Union were purposively considered. Since a population from which a sample is to be drawn does not constitute a homogeneous group, stratified sampling technique is generally applied in order to obtain a representative sample. Under stratified sampling the population is divided into several sub-populations that are individually more homogeneous than the total population and then we select items from each stratum to constitute a sample. Therefore, purposefully 5 primary coffee marketing cooperatives out of the fifteen primary cooperatives one coffee marketing cooperative was selected from each districts in which individual member farm households was selected randomly on the basis of proportionate to size of population of the sample cooperatives. At the same time 14 Coffee marketing traders were also purposely sampled on basis of the size and type of coffee traders in the study area.

3.4. Methods of data collection

The required secondary data was collected from cooperative union, Agricultural Development Office, Cooperative Promotion Office, Ethiopian Commodity Exchange, Federal Cooperatives Agency; Cooperatives Agency and Agricultural Development Office at Zone level, Cooperatives Bank of Oromia. A well-structured questionnaire schedule was used in collecting primary data. Most of the data related to the performance of coffee marketing cooperatives union was collected from each of the 15 primary coffee marketing cooperatives. An informal discussion was also conducted with the cooperatives' members, officials, and other key informants.

3.5. Methods of data Analysis

Ratios analysis, Descriptive analysis and Econometric model of data analysis methods were employed to accomplish this study.

3.5.1. Performance criterion and measures.

To investigate performance of coffee marketing cooperatives union, measurement of performance of the cooperatives union in terms of the volume of coffee product marketed by the union as compared to the total coffee product marketed in the area and the volume of coffee product marketed by each local competitors (Kotler, 2003). Marketers today are showing a growing interest in developing better marketing metrics for measuring marketing performance. Kotler (2003) lists four types of marketing control needed by companies including cooperatives: annual-plan control, profitability control, efficiency control, and strategic control.

3.5.1.1. Ratio Analysis

Ratio analysis refers to methods of calculating and interpreting financial ratios to assess a firm's performance. Many types of ratios can be calculated from financial statement data. However, to evaluate the performance of Chercher Oda Bultom coffee marketing Cooperatives Union, the six aspects of operating performance and financial condition can be used:

3.5.1.1.1. Liquidity Ratio:

Liquidity ratio measures a firm's ability to satisfy its short-term obligations. Liquidity is important because of the changing business climate. Therefore, A firm must be able to pay its financial obligations when needed. If a firm cannot pay its financial obligations, it will go bankrupt. The less liquid the firm, the greater risk of insolvency or default may happen Because debt obligations are paid with cash, the firm's cash flows ultimately determine solvency. We can estimate the firm's liquidity position by examining specific balance sheet items. Types of ratios used for analyzing liquidity

A. Current ratio: Size of current assets relative to current liabilities. It indicates the company's ability to satisfy its current liability with its current assets.

$$\text{Current ratio} = \text{Current asset} / \text{Current liabilities} \dots\dots\dots\text{EQ(1)}$$

Rule of thumb: current ratio=2, but if cash flow is predictable, a lower current ratio is acceptable

B. Quick ratio (acid-test): Size of most liquid current assets relative to current liabilities (Inventories excluded). Indicates that the company's ability to satisfy its current liability with its liquid assets.

$$\begin{aligned} \text{Quick ratio} &= (\text{Cash} + \text{marketable securities} + \text{accounts receivable}) / \text{Current liabilities or} \\ &= (\text{Current assets} - \text{Inventory}) / \text{Current liability} \dots\dots\dots\text{EQ(2)} \end{aligned}$$

The rule of thumb quick ratio is 1 which means the current assets less inventory should equally much to pay the most quick obligations of the cooperatives union.

C. Net working capital (not a ratio).....EQ(3)

Net working capital = Current assets – current liabilities. Working capital: usually refers to current assets only. Too large a number does not necessarily imply a “good” performance a useful measure for comparing among firms. Because, It depends on Nature of activities and Size of operation. A large amount of current assets relative to current liability provides assurance that the company will be able to satisfy its immediate obligation. However, if there are more current assets than the company need to provide this assurance, the company may be investing too heavily in these low earning assets and therefore not putting the assets to the most productive use.

3.5.1.1.2. Activity Ratios

Activity ratios measure the firm's effectiveness at managing accounts receivable, inventory, accounts payable, fixed assets, and total assets. They measure how well assets are used being Supplement to liquidity ratios. The most part of these ratios are turn over ratios which can be used to evaluate the benefit produced by specific assets such as inventory or account receivable or to evaluate the benefits produced by all a company's assets collectively. The most common turn over ratios is the following:

A. Inventory Turnover: It is the ratio of cost of goods sold to inventory. This ratio indicates how many times inventory is created and sold during the period.

$$\text{Inventory Turnover} = \text{cost of goods sold/Inventory} \dots\dots\dots\text{EQ(4)}$$

B. Accounts Receivable turnover: It is the ratio of net credit sales to account receivable. This ratio indicates how many times in the period credit sales have been created and collected on:

$$\text{Account Receivable Turnover} = \text{Sales on credit/Account Receivable} \dots\dots\dots\text{EQ(5)}$$

C. Total asset turnover: It is the ratio of sales to total assets. This ratio indicates that the extent that the investment in total asset results in sale.

$$\text{Total asset turnover} = \text{Sales/Total asset} \dots\dots\dots\text{EQ(6)}$$

D. Fixed Asset Turnover: The ratio of sales to fixed asset. The ratio indicates that the ability of the cooperatives union's management to put the fixed assets to work to generate sales.

$$\text{Fixed Asset Turnover} = \text{sales/fixed asset} \dots\dots\dots\text{EQ(7)}$$

3.5.1.1.3. Profitability Ratio:

They are profit margin ratios which compare components of income with sales. They give an idea of what makes up a coffee marketing cooperatives union's income and are usually expressed as apportion of each birr of sales.

A. Operating Profit Margin: It is the ratio of operating profit to sales. This ratio indicates that how much of each birr of sales is left over after operating expenses.

$$\text{Operating Profit Margin} = \text{Operating Income/sales} \dots\dots\dots\text{EQ(8)}$$

B. The net profit Margin: it is the ratio of net income to sales and indicates how much of each birr sales is left over after all expenses. Net profit margin = Net income/salesEQ(9)

3.5.1.1.4. Target return on investment (ROI)

These can be either short or long run goals, stated as profit as a percentage of either sales or assets. This is a cost-oriented approach to pricing decisions. The targets set will depend very much upon the economy within which the organization operates. If one views organizations as competing for limited funds from prospective shareholders, financial institutions and perhaps even government, then the rate of return achieved by an organization must be competitive with the sorts of returns others in the economy are able to achieve. Potential investors have to consider the opportunity cost they incur by investing in one organization rather than another. Typical pricing objectives might be a 20–25% annual rate of return on investment (after tax) and a 5–8% returns on sales. Individual targets are likely to be set for strategic business units, product lines and individual Products (FAO, 2006).

$$\text{Return on equity} = \frac{\text{Net income}}{\text{Equity}} \text{-----Eq (10)}$$

The earning power of the assets of an enterprise was vital to its success.

$$\text{Return on total asset} = \frac{\text{Net income}}{\text{Total asset}} \text{-----Eq (11)}$$

3.5.1.1.5. Financial leverage management ratios:

In any business organization equity financing does not obligate the company to pay anything except dividends are paid at the decision of board of directors or general assembly. However, there is always some risks, which are referring to as business risk inherent in any operating segment of a business. But how a cooperatives union chooses to finance its operation particularly mix of debt and equity may add financial risk on top of business risk. Financial leverage ratio are used to assess how much the financial risk the coffee marketing cooperatives union has taken on.

Therefore the following components of financial leverage ratios are used to convey how reliant is the performance of Chercher Oda Bulttum coffee marketing Cooperatives Union in debt financing.

A. The total debt to asset ratio: Indicates the proportion of assets that are financed with debt.

The formula for determining total debt to asset ratio is Total liabilities/net worth (net capital).

$$\text{Total Debt-asset Ratio} = \text{Total debt/Total asset} \dots\dots\dots(12)$$

B. The long-term debt to assets ratio: Indicate the proportion of cooperatives union's assets that are financed with long term debt.

$$\text{Long-term debt to assets ratio} = \text{Long term debt/Total assets} \dots\dots\dots(13)$$

The debt to equity ratio: Indicate the relative use of debt and equity as source of capital to finance the cooperatives union's assets evaluated using book value of the capital sources:

3.5.1.1.6. Shareholder ratios:

Deal with the performance and financial condition of the coffee marketing cooperatives union. This ratio provides information focus on the interest of the owners, shareholders ratio. The ratio translates the overall result of operation so that they can be computed in terms of a share of stock (share capital).

A. Earnings per share (EPS): Is the amount of income earned during a period, per share of common stock.

$$\text{Earnings per share} = \text{Net income available to shareholders/No. of share outstanding} \dots\dots EQ(14)$$

B. Dividend per share (DPS) is the birr amount of cash dividend paid during a period, per share of common stock (share capital).

$$\text{Dividend per share} = \text{Dividend paid to share holders/Number of share outstanding} \dots\dots EQ(15)$$

3.5.1.2. Marketing Agents, Market Channel and margins

The analysis of marketing channels was intended to provide a systematic knowledge of the flow of the goods and services from their origin (producer) to their final destination (consumer) (TGMM) (Ghorbani, 2008). Taking the cooperatives and other intermediaries (traders' marketing channel) as links in coffee marketing channels, attempt was made to compute total gross marketing margin of the cooperatives union as compared to that of the traders.

This is the difference between the prices paid to the first seller and that paid by buyer.

$$\text{TGMM} = \frac{\text{End buyer price} - \text{producer /seller price}}{\text{producer /seller price}} \times 100$$

End buyer price

It is somehow useful to determine the portion of the price paid by the consumer that goes to the producers. The producers' margin is calculated as:

$$\text{GMMP} = \frac{\text{Price paid by end buyer} - \text{Marketing gross margin}}{\text{Price paid by end buyer}} \times 100$$

End buyer price

3.5.1.3. Market share Analysis

Marketing management needs to track its market share in order to reveal how well the company is performing relative to competitors. It was measured in three ways

1. Overall market share: The coffee marketing union's market share expressed as a percentage of total market sales.
2. Served market share: Sales expressed as a percentage of the total sales to its served market. Served market is all the buyers who are able and willing to buy its product. Served market share is always larger than overall market. The cooperatives union could capture 100% of its served market and yet have a relatively small share of the total market.
3. Relative market share: Can be expressed as market share in relative to its largest competitor. 'RMS>100% Market leader, RMS = 100% tied for the leader'. Rise in a relative market share means the union was gaining on its leading competitors (Kotler, 2003).

CHAPTER FOUR

4. RESULTS AND DISCUSSION

The results obtained from the employed methods of data analysis such as; descriptive ratio, market share and marketing margin analysis was discussed in this chapter. The general characteristics of members of coffee marketing cooperatives union was described using simple statistical methods of data interpretation and percentage description. The ratio analysis method employed to calculate the financial performance from the five years audit report of the coffee marketing cooperatives union.

4.1. Descriptive Analysis

4.1.1. Household characteristics

Descriptive analysis used to explain the characteristics of the sampled household and/or individual members of the coffee marketing cooperatives which are members to coffee marketing cooperatives union under the investigation.

4.1.1.1. Age of households and proximity to different institutions

As indicated in table 6 below, the age of the sampled household head ranges from 18 to 68 years. The average age of the sampled heads is about 41.3917 years. About 72.50% of the respondents were found in the most actively working age category (18-54 years) while about 27.50% of them are young and elders of in active age. Regarding to the Proximity of sample members to different marketing and information, the average distance from homestead to their cooperative is 26.25 walking minute while the distance from homestead to district market is 120 walking minute (because on the average the distance between Cooperatives' stock to local market is 93.25 walking minutes) which implies the cooperatives have an opportunity to improve the participation rate of members in using cooperative marketing channel as a market channel can save time and decrease marketing costs.

Table 5: Distribution of sample members in age and proximity from different institutions

Parameters			Statistics for Age	
Age	N	%	Mean	41.39
Young Adults (18-35) year	33	27.5	Mode	40.00
Adults (36-54) years	54	45	Median	40.00
Elders (55<)	33	27.5	Range	50.00
Distance from cooperative's local market (minute)				
<= 15.00	32	26.7	Mean	25.85
16.00 - 45.00	85	70.8	Mode	30.00
46.00 - 75.00	3	2.5	Median	30.00
Total	120	100.0	Range	3.00

Source: Computed from own field survey data.

4.1.1.2 Personal characteristics

As indicated in table 6 below, the sex characteristics of sampled households opined as, 89.2% of the sampled households were male headed and 10.8% of them were female headed. This indicates that the majority of cooperative member households were male headed. however, one of the current and critical issues related to cooperatives movement in the country is enhancing female's participation in the cooperative to minimize gender inequality in terms of socio economic participation. Regarding to marital status, 91.1percents were married. While,8.0% and 0.90% of the respondents were, single and divorced, respectively. 63.3% of the total respondents were Muslim follower in their religion while the rest of the respondents 36.7% follow Orthodox and protestant religion.

Table 6: Distribution of sample size by personal characteristics

Characteristics	Total sample (N=120)	
Gender		
Male	107	89.2
Female	13	10.8
Total	120	100.0
Marital status	N	%
Single	10	8.0
Married	109	91.1
Divorced	1	.9
Religions	N= 120	%
Muslim	76	63.3
Orthodox	44	36.7
Education Level		
Illiterates	35	28.9
Read and Write	8	6.6
Elementary	53	44.1
High school	24	20.4

Source: Computed from own field survey data.

4.1.1.3. Family size and educational status of family members of farm households

The average family size of the sample farmers was 5. As indicated in table 8 below, 265 members of families of sampled respondents or 44.5% of the total number of member of families of respondent households were economically active while the rest 56% were in active in which 52% 596 families member or (310) families members were children who were less than 15, and 18 (3%) were elders. this situation of large number of dependent family members could negatively influence the satisfaction of members by limiting the potential of household income per family members. As it was observed in (Table 8), out of 596 family members of sampled household, 44.5% were illiterate or had not received any type of education. The rest 36.5%, 15.5% and 3.5% of the family members of the sampled households had attended elementary, junior secondary, and high school respectively.

Table 7: Distribution of sampled household by their family size, age and education level of their family

Characteristics	Total sample (N=120)	
	N	%
Education level of household family		
Illiterate	265	44.5
Elementary school	218	36.5
Junior school	93	15.5
High school	20	3.5
Age of the sampled household family		
Child <= 14	310	52.5
Adult (strong work force) (15-64) years old	268	44.5
Old >= 64 years	18	3

Source: Computed from own field survey data.

4.1.1.4. Land holding and asset ownership of farm households

The average land holding of the households in the study area was 1.12(ha.) per household. As indicated in table 9 below, the sampled farm households proportion was categorized as; farmers of land holding less than or equal to 1.00(ha.) were 90% of the total respondent while farmers with land holding between 1.01(ha) to 2.00(ha) were 8.3% of the total respondents and farmers with greater than 2.01 (ha) were 1.7% of the total respondents. All of sampled households were practicing farming activities, especially garden coffee farming system earning average annual income of around 16.3833 quintals. With regard to asset ownership, out of the sampled farmers the majority of them owned iron roofed house in which (87.5%) owned two room of house while 11.7% of the sampled respondent own (3-4) rooms of iron sheet roofed house and (0.8%) of the respondent own about greater than or equal to 5 rooms of iron sheet roofed house. At the same time, 29.2%, 65% and 5.8% of total sampled respondents were owned less than or equal to 0.2(ha), 0.11(ha) – 0.55(ha) and greater than or equal to 0.56(ha) of land covered by coffee plant. Similarly,50.8% of the total respondent owned less than or equal to 0.10(ha) of kyat farm while, 41.7% and 7.5% of the total respondents were the owners of (0.11-0.22) ha and greater than or equal to 0.24(ha) of kyat farm respectively. Regarding to livestock holding of the sampled respondents, 56.7%, 37.5%, 5% and 0.8% of the total respondent owned less than or equal to 2, (3-4), (5-6) and 7 cattle respectively. While 55.8%, 23.3%, 15% and 5.8% of the total respondents were owned less than or equal to 3, (4-5), (6-7) and greater than or equal to 8 life of sheep and goats.

Table 8: Distribution of sampled households, by the land holding, works experience, and asset ownership.

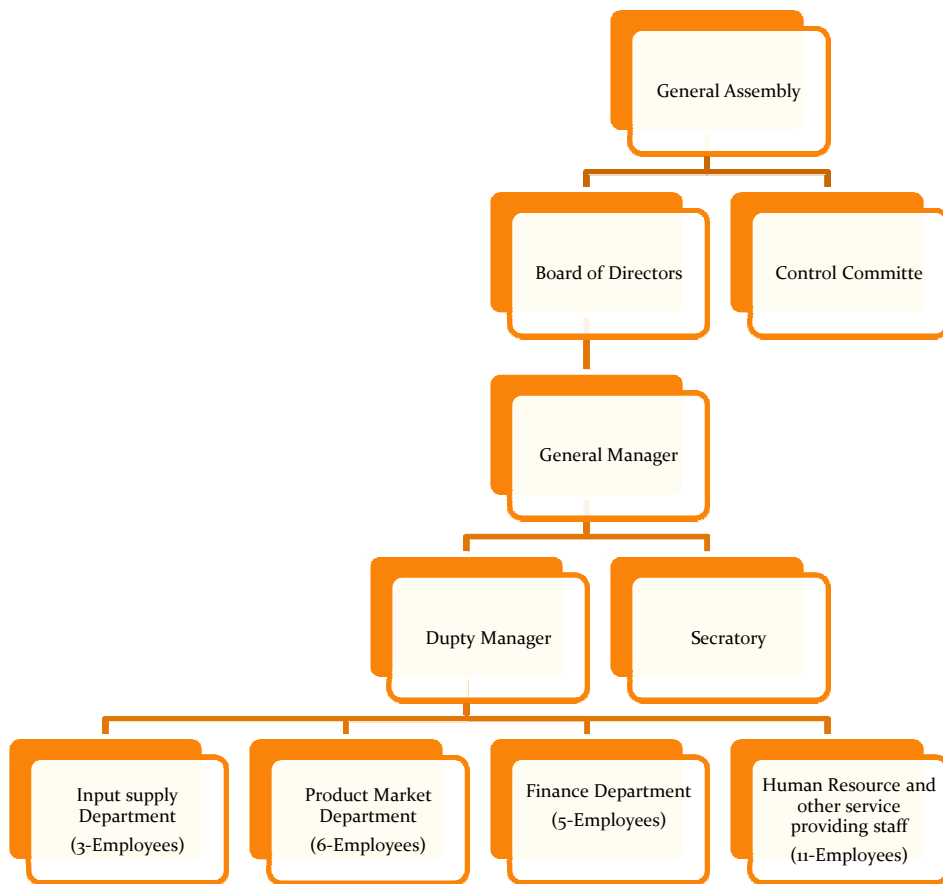
Characteristics	N	%	Mean
Land Holding in hectare			1.12
<= 1.00	108	90.0	
1.01 - 2.00	10	8.3	
2.01 - 3.00	2	1.7	
Number of rooms			1.13
<= 2.00	105	87.5	
3.00 - 4.00	14	11.7	
5.00+	1	.8	
Coffee Farm in Hector			1.77
<= 0.10	35	29.2	
0.11 - 0.55	78	65.0	
0.56+	7	5.8	
Kyat Farm in hector			1.57
<= 0.10	61	50.8	
0.11 - 0.22	50	41.7	
0.24+	9	7.5	
2005 year product in quintals			16.3833
<= 10.00	56	46.7	
10.01 - 35.00	60	50.0	
35.01 - 60.00	2	1.7	
60.01+	2	1.7	
Number of cattle			1.4333
<= 2.00	68	56.7	
3.00 - 4.00	45	37.5	
5.00 - 6.00	6	5.0	
7.00+	1	.8	
Ship and goat			1.71
<= 3.00	67	55.8	
4.00 - 5.00	28	23.3	
6.00 - 7.00	18	15.0	
8.00+	7	5.8	

Source: Computed from own field survey data.

4.1.1.5. Management structure and Man Power of the Union in the study area.

As indicated in the diagram 3, below, the coffee marketing union has the structural organization of cooperatives that was designed by Federal Cooperative Agency based on cooperative principle in which the supreme body is the general assembly that could represent the board of directors to follow up the overall operation of the union. And Control committee to control overall movement of the operation of the union based on the specific duties and responsibilities stated on the by-Law of the cooperatives union. At the same time the coffee marketing cooperatives Union, has 28 permanently hired employees in which 6 of them are Bachelors degree professionals and 12 of them are Diploma holder experts while, the rest 10 employees with the academic background of (10+1) are service staffs of the union.

Figure 4: Organizational Structure of Chercher Oda Bulttom Cooperatives Union



Source: From Informant check list discussion at Chercher Oda Bulttom Cooperatives Union

4.1.2. Description of traders coffee marketing behavior in setting price.

As indicated in table 5 below, the traders in the study area were purchasing coffee product from the farmers through their longest market channels at minimum price than cooperatives union. however, both traders and cooperatives union have equal opportunity of selling price and market access to sale the product at central market. The difference was only the case that Cooperatives are exempted from income tax that might minimize the operation cost but deducted from dividend paid for individual members. However, most of traders in the area could market large volume of coffee product as compared to the cooperatives union.

Table 9: Sampled Traders and market information in the study area

QUAQU: Quantity in Quintals, PP: Purchasing price SP: Selling price of coffee

S N	Name of traders	Year 2008			2009			2010			2011			2012		
		QUAQU	PP	SP	QUAQU	PP	SP	QUAQU	PP	SP	QUAQ U	PP	SP	QUAQ U	PP	SP
1	Demek	82,000	23.5.	32.50	122,000	32	40	135,000	40	50	116,000	47.5	57.5	104,600	55	60
2	Zenebe	27,000	23.5.	32.50	22,000	32.5	40	35,000	43	50	110,000	47.	57.5	104,600	53	60
3	Haj Guto	52,000	23.5.	32.50	12,000	31.5	40	18,000	41	50	16,000	47.	57.5	104,600	45	60
4	Tagese	41,000	23.5.	32.50	54,000	30.5	40	19,000	30	50	6,000	47.25	57.5	10,600	54	60
5	Huseno	8,000	23.5.	32.50	67,000	31.5	40	15,000	35	50	116,000	47.25	57.5	104,600	54	60
6	yusyf	42,000	23.5.	32.50	52,000	29.5	40	13,000	40	50	11,000	47.	57.5	4,300	51	60
7	Jemal	52,000	23.5.	32.50	72,000	28.5	40	15,000	41	50	9,000	47.	57.5	14,600	50	60
8	Mamaya	37,000	23.5.	32.50	92,000	28.5	40	35,800	30	50	6,000	46.5	57.5	14,600	50	60
9	Girma	62,000	23.5.	32.50	123,000	30.5	40	65,000	37	50	12,000	45.5	57.5	19,640	45	60
10	Shimalis	47,000	23.5.	32.50	56,000	31.5	40	121,000	38	50	15,000	44.5	57.5	103,600	50	60
11	Usma'el	32,000	23.5.	32.50	32,000	32	40	87,000	37	50	17,000	41.5	57.5	9,100	52	60
12	Abichuu	12,000	23.5.	32.50	43,000	30	40	2,000	40.5	50	13,000	41.5	57.5	19800	45	60
13	Hoyyoo	4,000	23.5.	32.50	45,000	31.5	40	115,000	40.5	50	18,000	37.5	57.5	10900	45	60
14	Abraham	12,000	23.5.	32.50	102,000	30.5	40	35,000	36	50	9,400	46.5	57.5	12,900	50	60
15	Coop union	28,402	24	32.5	40,370	34.5	40	68,036	44	50	99,652	48.23	57.5	211,866	56.5	60.22

Source: Computed from own field survey

4.1.3. Membership in cooperative and services

4.1.3.1. Membership of sampled respondents in cooperatives

As indicated in table 10 below, Around 87 respondent (72.5 percent of respondents) were existed for greater than or equal to 8 years, while 19 respondents (15.5 percent of the total sampled respondents) were opined as they have the age of less than or equal to 1 year and the rest about 11.6 percent of the total sample respondents were answered as they have 2 to 7 years old in the cooperatives as a member. At the same time, An individual respondent was respond as he/she own greater than or equal to 4501 birr as a share capital in his/her cooperative. While, 17 respondents (14.2%), 102 respondents (85%0) were respond as they had contribute (501-2500) birr and less than 500 birr respectively as a share capital. However, 45 respondents (37.5 percent of respondents) were individually earned (4,403 – 6103) birr of patronage dividend only from 2012 years net profit generated by their cooperatives union. At the same time One respondent, 38 respondent respondents and 36 respondents were each engaged with (2,702-4402) birr, (1001 -2701) birr and Less than or equal to 500 birr respectively from their cooperatives union as a patronage dividend. Moreover, 75 respondents (62.5 percent of the total respondent) had respond as they had got highly adequate access to the market for their coffee product. While, 20.8 percent and 16.7 percents of total respondents were respond adequate and inadequate access to market respectively.

Table 10: Distribution of sampled respondents in their Year of Membership, amount of share paid to their cooperatives and dividend received from their cooperatives.

Variables	category	Frequency	Percent
Year of membership	<= 1.00	19	15.8
	2.00 - 4.00	4	3.3
	5.00 - 7.00	10	8.3
	8.00+	87	72.5
	Total	120	100.0
Amount of share paid (Binned)			
	<= 500.00	102	85.0
	501.00 - 2500.00	17	14.2
	4501.00+	1	.8
	Total	120	100.0
Dividend paid (Binned)			
	<= \$1,000.00	36	30.0
	\$1,001.00 - \$2,701.00	38	31.7
	\$2,702.00 - \$4,402.00	1	.8
	\$4,403.00 - \$6,103.00	45	37.5
	Total	120	100.0
Availability of Market			
	Inadequate	20	16.7
	Adequate	25	20.8
	Highly adequate	75	62.5
	Total	120	100.0

Source: Computed from own field survey data

4.1.3.2. Characteristics of sample households by their knowledge on constraints of coffee production and marketing.

Based on the secondary data obtained from the management of coffee marketing cooperatives union on the constraints tackling the coffee product production and marketing an interview schedule was conducted with sampled households to understand the recognition of the constraints by the individual members. The importance of this identification is to assure the existence of the constraints by the members since unlike other business firms in cooperatives members are both customers and owners. Therefore, members knowledge about the existing constrains were checked by recording their response whether they respond right or wrong about the constraints as compared to that of previously listed by the management of the cooperatives union. Hence, As indicated in table 11 below, 95.8% of the total respondent opined the right answer for the important factor that increases coffee product marketing while 4.2% of respondents opined the wrong response. At the same time, 98.2% of the total respondents know their product that has high demand. But 1.8% of the respondents are not. Regarding the technique to increase demand for their products, the advantage of being a member of coffee marketing cooperative, the government's important role to support coffee marketing and where they get credit access for coffee marketing 96.7% of the total respondents opined the right while the rest 3.3% of them respond wrongly. However, In cases of the role of improvement of roads and transport in improving market access, processing technique of coffee processing, seasonal variation in demand for their products and How to overcome the variation of demand 99.2% of the sample households respond the right answer while the rest 1.8% were respond wrongly.

This implies that, almost around 97% of the sampled households have the knowledge and recognized the constraints related to coffee production, coffee product marketing and cooperative marketing in the study area.

Table 11: Distribution of sampled households by their knowledge about the study area

S. N	Activities	Right(1)		Wrong(0)	
		N	%	N	%
1.	Which is the important factor that increases coffee Product marketing?	115	95.8	5	4.2
2.	Which type of your product has high demand?	118	98.3	1	.8
3.	Name one technique to increase demand for your product	116	96.7	3	2.5
4.	What is the advantage of being a member of coffee marketing cooperative?	117	97.5	2	1.7
5.	What should be government's important role to support coffee marketing?	116	96.7	3	2.5
6.	Where do you get credit access for coffee marketing?	116	96.7	3	2.5
7.	Do you think improvement of roads and transport will improve market access?	119	99.2	1	.8
8.	Name one processing technique of coffee processing?	119	99.2	1	.8
9.	Is there any seasonal variation in demand for your products?	119	99.2	1	.8
10.	How do you overcome the variation of demand?	119	99.2	1	.8

Source: Computed from own field survey data

4.1.3.3. Respondents opinion on service provided by cooperatives union.

As indicated in table 12 below, regarding the agricultural production tools supplied by the cooperatives union, 49.2% of the total respondent opined no, while 50.8% of the total respondent answered yes. At the same time, 50% of the total respondent opined yes and equally no for the question asked about information supply. 85.8% of the total respondent engaged with the loan provision service provided by their cooperatives union while 14.2% of the total respondents were engaged. 55.8% of the total respondents are engaged with the service provided by their cooperatives union while 44.2% are not. However, 120 respondents (100% of the total respondents) were answered “yes” for the question ‘Did your cooperatives union provide you improved seed?’

Table 12: Distribution of sample size by their access to obtaining the services provided by their cooperatives union.

Inquiry on service provided by Cooperatives Union	Response	N	Per cent
Did your cooperatives Union provide you Agricultural Farm tools ?	No	59	49.2
	Yes	61	50.8
	Total	120	100.0
Did you get any market Information from your Cooperatives Union?	No	60	50.0
	Yes	60	50.0
	Total	120	100.0
Did you get Loan Provision service from your Cooperatives Union?	No	103	85.8
	Yes	17	14.2
	Total	120	100.0
Did your Cooperatives Union supply you Pesticides ?	No	53	44.2
	Yes	67	55.8
	Total	120	100.0
Did your Cooperatives Union supply you improved seeds ?	yes	120	100.0
	Total	120	100.0

Source: Computed from field survey data

4.1.3.4. Respondents opinion on performance of their cooperative union.

As indicated in table 13 below, Regarding the services provided by coffee marketing farmers' cooperatives union, about 40.8% of the total respondent opined highly inadequate, while the rest 59.2% responds inadequately. Accordingly, 34.2% and 65.8% of the total respondent opined the performance of market information service of the cooperatives union highly inadequate and adequate. Similarly the performance of cooperative union in supplying agricultural tools rated 34.2% and 65.8% highly inadequate and inadequate services. However, in providing fertilizer 0.8% and 1.7% of the respondent were opined highly inadequate and highly adequate performance respectively. While, 30% and 67.5% of the total respondent were answered adequate and highly adequate respectively in fertilizer supply service provided. Moreover, regarding performance of improved seeds supply service, 1.7%, 67%, 30% and 0.8% of respondent opined highly adequate, adequate, inadequate and highly inadequate service provided by their cooperatives union.

Table 13: Distribution of sample size by their opinion on the performance of their cooperative

Services provided by cooperatives union	Level of performance	N = total sample size	
		N	Per cent
Performance of loan provision	Highly Inadequate	49	40.8
	Inadequate	71	59.2
Performance of information supply	Highly Inadequate	41	34.2
	Inadequate	79	65.8
Performance of farm tools supply	Highly Inadequate	41	34.2
	Inadequate	79	65.8
Performance of Fertilizer supply	Highly Inadequate	1	0.8
	Inadequate	36	30.0
	Adequate	81	67.5
	Highly Adequate	2	1.7
Performance of seeds supply	Highly Inadequate	1	0.8
	Inadequate	50	41.7
	Adequate	65	54.2
	Highly Adequate	4	3.3

Source: Computed from field survey data

4.1.3.5. Effectiveness of cooperatives union's leadership

Effectiveness of achieving coffee marketing cooperatives union was analyzed and indicated in table 14 below. The cooperatives performance in achieving its role to satisfy members' needs should attract more potential members to ward members. Therefore, 0.8% and 3.4% of the total sampled members were respond decreasing and constant on trends of members' dropout in cooperatives. While 95.8% of them were respond as members of the cooperative increasing yearly. Moreover, as the secondary data obtained from Chercher Oda Bultum Cooperatives Union, the number of member primary cooperatives were increased from 61 to 73. Regarding with the efficiency in transparency and accountability of cooperatives leaders; 12.5%, 29.2% and 58.3% of total sampled respondents opined less transparent and accountability, satisfactory transparent and accountability and highly transparent and accountable respectively. Mean while, 100% of the sampled members were respond "responsible" for the responsiveness of the management of the cooperatives union. 97.5% and 2.5% of the total respondent respectively were opined members vote and members consensus on procedure of election for board of directors in coffee marketing cooperatives union. At the same time, regarding the effectiveness of the management of cooperatives union, 6.7%, 31.7% and 61.7% of the total respondents were answered weak, strong and very strong respectively on its management.

Table 14: Distribution of sample size on the bases of effectiveness of their cooperatives union

Variables	categories	N	Per cent
Members dropout trend	Decreasing	1	0.8
	Constant	4	3.4
	Increasing with no dropout	115	95.8
Transparency and accountability of cooperative leaders	Less transparent and accountable	15	12.5
	Satisfactory transparent and accountable	35	29.2
	Highly transparent and accountable	70	58.3
Responsiveness of leaders	Responsible	120	100.0
Election procedure of board	Members vote	117	97.5
	Consensus	3	2.5
Effectiveness of Management	Weak	8	6.7%
	Strong	38	31.7%
	Very strong	74	61.7%

Computed from own field survey.

4.1.3.5. Access of infrastructures in the study area

In the study area as indicated in table 15 below, 23.3%, 60.8% and 15.8% of sampled member farmers were respond the financial institute (credit access) Inadequate, somewhat adequate and adequate access respectively. While the sample distributed as 16%, 66.7% and 20% of the respondent opined adequate, somewhat adequate and adequate on the access of communication technologies. Similarly, 1.7%, 49.2% and 49.2% of the respondent were opined adequate, somewhat adequate and adequate respectively on the access of road.

Table 15: Distribution of sample size in access to infrastructures

Questions	Response	N	Per cent
How is the access of credit provided by the cooperatives union?	Not adequate	28	23.3
	somewhat adequate	73	60.8
	Adequate	19	15.8
	Total	120	100.0
Access to Telecommunication>	Not adequate	16	13.3
	somewhat adequate	80	66.7
	Adequate	24	20.0
	Total	120	100.0
Access to road?	Not adequate	2	1.7
	somewhat adequate	59	49.2
	Adequate	59	49.2
	Total	120	100.0

Computed from own field survey.

4.1.4.. Major Constraints Faced in coffee farming

Marketing problems are factors (constraints) that cause market inefficiencies. Market inefficiencies will lead to hosting unsatisfied customers, or members for the cooperatives, and high marketing costs. In this study, sampled farmers were asked to rate the degree of importance about the presence and types of marketing problems obtained from the focal group members of coffee marketing cooperatives union. Therefore, the sample respondents were opined on the question “What are the constraints which you perceive with respect to coffee marketing through your cooperative?”

4.1.4.1. Constraints related to quality marketing services

As indicated in table 16 below, 18.3%, 30.8% and 50% of the respondents were opined on the importance of the constraint (lack of genuine scaling) as less important, important and very important respectively. At the same time, 20.8%, 30% and 50% of the total respondent answered important, important and very important respectively on the problem of lack of quality marketing service. Regarding to inadequate technical service on quality product marketing 24.2%, 35.8% and 40% of total respondents were opined less important, important and very important respectively. Distance of coffee market from farmers was opined by 18.3%, 30.8% and 50.8% important, important and very important respectively.

At the same time, 25.8%, 24.2% and 50.8% of the total respondents were opined less important, important and very important respectively on lack of awareness on coffee marketing. Concerning the constraint, Lack of finance to produce quality coffee product 15.8%, 15.9% and 68.3% of the sampled farmers respond less important, important and very important respectively. On the constraint, Poor care of quality product, 17.5%, 12.5% and 70% were respond less important, important and very important respectively.

Moreover, 55.5%, 15.8% and 28.3% of the respondents opined less important, important and very important respectively on the problem of coffee price fluctuation. About 50.8%, 36.7% and 12.5% of respondents were answered less important, important and very important respectively on the importance of the problems of high transportation cost. As discussed above, poor care of quality product, lack of finance to produce quality product and lack of genuine scaling were the most important constraints ranked.

Table 16: Distribution of sample size on the importance of marketing problems in the study area

S. N	Constraints	Less Important		Important		Most Important	
		(1)	%	(2)	%	(3)	%
1	Lack of genuine scaling	22	18.3	37	30.8	61	50.8
2.	Not availability of quality marketing service	25	20.8	36	30.0	59	49.2
3.	Inadequate technical advice on coffee product quality	29	24.2	43	35.8	48	40.0
4.	Distance of coffee market from the farmer	22	18.3	37	30.8	61	50.8
5.	Lack of awareness about coffee marketing	31	25.8	29	24.2	60	50.0
6.	Lack of finance to produce quality coffee product	22	15.8	37	15.8	61	68.3
7.	Poor care of quality product	21	17.5	15	12.5	84	70.0
8.	Price fluctuation	67	55.8	19	15.8	34	28.3
9.	High transportation cost	61	50.8	44	36.7	12.5	28.3

Source: Computed from own field survey

4.1.4.2. Constraints related to seeds supply and utilization

Cooperative members were asked to rank constraints regarding improved seeds in order of importance. The nine most important constraints regarding seed supply were Lack of awareness about advantages of new improve seeds. In adequate pesticide supply facilities, Low resistance of the improved seeds to disease, High cost of consultancy (cost of expertise service) for improved seed utilization. Negative attitude towards improved seed, inadequate access to credit, inadequate knowledge in improved seed inadequate pest protection service and Negative influence of the friends and relatives were ranked as the least important factors affecting dairy farmers. In this regard, according to the opinion of sampled respondent ranked, indicated in table 16 below in the study area most of the above constraints related to supply and utilization of improved seeds were less important.

Table 17: Distribution on sample size by constraints related to seeds supply and utilization

S.N	Constraints	Less Important		Important		Most Important		Sample size (N)	
		(1)	%	(2)	%	(1)	%	(2)	%
II	Problems related to improved seeds utilization								
1.	Lack of awareness about advantages of new improve seeds	71	59.2	33	27.5	16	13.3	120	100.0
2.	In adequate pesticide supply facilities	63	52.5	45	37.5	12	10.0	120	100.0
3.	Low resistance of the improved seeds to disease	74	61.7	30	25.0	16	13.3	120	100.0
4.	High cost of consultancy for improved seed	87	72.5	25	20.8	8	6.7	120	100.0
5.	Negative attitude towards improved seed	83	69.2	30	25.0	7	5.8	120	100.0
6.	Inadequate access to credit	84	70.0	29	24.2	7	5.8	120	100.0
7.	Inadequate knowledge in improved breed	65	54.2	35	29.2	20	16.7	120	100.0
9.	Inadequate pest protection service	43	35.8	50	41.7	27	22.5	120	100.0

Source: Computed from own field survey

4.1.4.3. Marketing system and terms of payment of coffee marketing in the study area.

As indicated in table 18 below, 32.5% of the total respondents were opined that they were using the traders channel to sale their coffee products while 67.5% of them were respond as they were using cooperatives channel to sale their coffee product. This indicates that, although the majority of cooperatives member use the cooperative channel to sale their product, the cooperative couldn't control its entire members product in its marketing operation which means members participation in their economic contribution was not achieved as expected. However, regarding terms of payment for coffee marketed through cooperative market channel, only 3.3% of the total respondents were opined as they were sold their coffee product on account while 96.7% of them respond that they were paid on cash. Moreover as an opinion from informant respondents and secondary data obtained from management body of cooperatives union, the coffee marketing union was provided money in advance as interest free credit and purchase for all coffee supplier primary cooperatives. But, the coffee marketing cooperatives union couldn't control even its member's product in market. It also implies 32.5% of the sampled house hold were neglecting their responsibility and broken their bylaw in their cooperatives market participation.

Table 18: Distribution of sampled households by terms of payment and system of sale they used to sale their coffee to the purchaser.

Variables	opinion	N = 120	Per cent
Term of payment	on credit	4	3.3
	cash on hand	116	96.7
system of selling coffee product	Through traders channel	39	32.5
	Through cooperatives channel	81	67.5

Source: Computed from own field survey data.

4.1.5. Cooperatives management and members' participation

4.1.5.1. Members Participation in the General Assembly

The concept of Members' participation in cooperatives denotes (i) members participation in the General assembly, (ii) members participation in the election and (iii) members participation in the business. The following paragraphs deals with the concepts and results of the study.

General assembly means a meeting of members of the primary cooperatives or representatives of societies above primary level. The supreme organ of any society shall be the general assembly (Section 20 of Proclamation No147/1998). The general assembly of a society shall pass decisions after evaluating the general activities of the society; approve and amend the by-laws and internal regulations of the society; elect and dismiss the members of the management committee, control committee and when necessary the members of other sub-committee; determine the amount of shares of the society; decide on how the annual net profit of the society is distributed; give decision on the audit report; hear work reports and give proper decision; decide that a society either be amalgamated with another society or be divided in pursuance of this proclamation; approve the annual work plan and budget; decide any issue submitted by the management committee and other committees. Absenteeism of members in the general assembly may lead to the loss of democratic character that may result in the dominance of the vested interest.

As the result of the study the distribution of sample respondent by cooperative members participation which has been indicated by table 19, about 62.5 percent of the sampled respondents of the study were opined that they regularly participate in the general assembly. Around 31.7 per cent of the respondents viewed that they occasionally participate in the general assembly. And 5.8 percent of the total sampled respondent were often attending in the general assembly depends on factors, viz., convenience and place and willingness to attend.

4.1.5.2. Members' Participation in the Business:

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of the 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 surplus 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. The surplus is generated by the cooperatives by the active involvement of the members in the business of the cooperatives. Mere investment in the form of share capital will not pave way for the business development of the cooperatives. Around 65 respondent (54.2 per cent of the respondents) opined that they regularly participate in the business of the cooperatives. At the same time 45 respondent (37.5 per cent of the respondents) said that they occasionally participate in fund raising, While 10 respondents(8.3 percent of the respondent) was often participate in fund raising.

4.1.5.3. Members Participation in cooperative marketing

Members' participation in supplying and/or selling their product through their cooperative is the most important determinant to understand the efficiency of cooperatives in attracting its members toward useful market operation. Therefore, 81 respondents (67.5 percent of the total respondents) respond that they were sold their coffee product through their cooperative. While 39 respondents (32.5 percent of the total respondents) were supply their coffee product through other (traders) market channels.62 respondents (51.7 percent of the total sampled respondent) were opined that they regularly participate in developing the market plan of their cooperative. Around 47 respondents (39.2 percent of the total respondent) were participating occasionally in planning the marketing activity of their cooperative. While, 7 respondents (5.8 percent of the total respondent) were often participate in planning. At the same time, 37 respondent (30 percent of the total respondents) were regularly participate in implementing the marketing plan of their cooperative while 70 respondents (58.3 percent of the total respondents) were occasionally and 13 respondents (10.8 percent of total respondents) were often participate in implementing the marketing plan of their cooperative.

Accordingly, about 61 respondents (50.8 percent of the total respondents), 50 respondents (41.7 percent of the total respondents) and 9 respondents (7.5 percent of the total respondents) were participating in decision making activities of their cooperative respectively.

Table 19: Distribution of sample house hold by participation in their cooperative

Participation in cooperatives	N	%
Members participation in cooperative marketing		
No	39	32.5
Yes	81	67.5
Members participation in cooperative meeting		
Often	7	5.8
Occasionally	38	31.7
Regularly	75	62.5
Participation in planning		
Often	11	9.2
Occasionally	47	39.2
Regularly	62	51.7
Total	120	100.0
Fund Rising		
Often	10	8.3
Occasionally	45	37.5
Regularly	65	54.2
Implementation		
Often	13	10.8
Occasionally	70	58.3
Regularly	37	30.8
Decision Making		
Often	9	7.5
Occasionally	50	41.7
Regularly	61	50.8

Used from computed own survey data

4.1.6. Members satisfaction on service rendered by cooperatives union.

It is an attempt to measure efficiency from one basic criterion: to what extent the members have been benefited from the cooperative and to what extent members' aspirations and needs have been met?

A cooperative cannot claim to have attained efficiency unless it fulfills the above criterion.

As indicated in table 20 below, 20.0%, 47.5% and 32.5% of the total sampled household were respond less satisfied, satisfied and highly satisfied respectively by input supply service rendered by the cooperative union. Regarding the information provided by the cooperatives union, 20.0% 47.5% and 32.5% of the respondents were opined less satisfied, satisfied and highly satisfied respectively. At the same time, 20.0%, 47.5% and 32.5% of the sample households were respond less satisfied, satisfied and highly satisfied respectively in the training service rendered by the cooperatives union .similarly regarding service of supplying coffee Production Equipment the sample size distributed as Less Satisfied (20.0%), Satisfied 47.5% and Highly satisfied (32.5%). However, on Marketing service provided by the union the sample size distributed as: Less Satisfied (20.0%), satisfied (47.5%) and highly satisfied (32.5%). Similarly, regarding Credit provision service rendered by the cooperatives union, the sampled households distributed as: Less Satisfied (20.0%), satisfied (47.5%) and highly satisfied (32.5%). Moreover, 19.2%, 45.0% and 35.8% of the total sampled household respond less satisfied, satisfied and highly satisfied respectively on Patronage dividend paid to them by their coffee marketing cooperatives union.

Table 20 Distribution of the sample farmers by the satisfaction or dissatisfaction on services provided by their cooperatives union.

Services rendered by cooperatives union	Level of Satisfaction	N = 120	100%
Input supply (improved seeds and fertilizer)	Less Satisfied	24	20.0
	satisfied	57	47.5
	Highly satisfied	39	32.5
Marketing information	Less Satisfied	24	20.0
	satisfied	57	47.5
	Highly satisfied	39	32.5
Training provision	Less Satisfied	24	20.0
	satisfied	57	47.5
	Highly satisfied	39	32.5
Coffee Production Equipment	Less Satisfied	24	20.0
	satisfied	57	47.5
	Highly satisfied	39	32.5
Marketing service (storage, transportation, packaging, and developing market linkage between primary cooperatives and union).	Less Satisfied	24	20.0
	satisfied	57	47.5
	Highly satisfied	39	32.5
Credit supplied	Less Satisfied	24	20.0
	satisfied	57	47.5
	Highly satisfied	39	32.5
Patronage dividend paid	Less Satisfied	23	19.2
	satisfied	54	45.0
	Highly satisfied	43	35.8

Source: Computed own field survey data.

4.2. Financial ratio analysis

Ratio analysis methods of calculating and interpreting financial ratios was used to evaluate the performance of Chercher Oda Bultom coffee marketing cooperatives union, the six aspects of operating performance and financial condition was used:

4.2.1. Efficiency ratios

A. Inventory Turnover

Based on secondary data (Audit report)) obtained from Chercher Oda Bultom cooperatives union, In the study area, the efficiency of coffee marketing cooperatives union was computed through the methods of inventory turnover (cost of goods sold/inventory). The inventory turnover in the years 2008, 2009, 2010, 2011 and 2012 was 38.41 16.62, 12.24 10.64 and 20.94 respectively. This ratio indicates how many times inventory is created and sold during the period. The high turnover ratio implies the efficiency of the management of the coffee marketing cooperatives union in recovering the inventory of the cooperatives union in a highly accelerated rate. Hence, the inventory turnover ratio of the cooperatives union under investigation reveals an efficient performance with the decline rate from year to year and tends to rise on the last year. There was a decreasing trend of inventory turnover ratio from year 2008 to 2011. The cooperatives union had increased its turnover in the year 2012 as compared to year 2011.

B. Account Receivable Turnover (ales on credit/Account receivable) of the cooperatives union for the 5 (2008 -2012) years was 10.31, 2.08, 1.77, 1.72 and 1.71 respectively. It indicates the efficiency of cooperatives union in achieving times in the period credit sales have been created and collected. however, The decreasing trend of account receivable turnover implies that the declination of the cooperatives union's performance in achieving times in the period credit sales has been created and collected.

C. Total Asset Turn over (sales/total asset). The 5 consecutive years total asset turnover ratio was 8.25, 1.87, 1.64, 1.91 and 1.64 respectively. It implies the cooperatives union could effectively perform the businesses that enable to perform the total sales of 3 times the total assets. But there was a decreasing trend from year t year implies, the declination of the cooperatives union in effectively utilizing the asset.

D. Fixed Asset Turnover of the cooperatives union was 94.89, 45.76, 29.82, 20.67 and 147.10 with respect to the 5 years. It implies the cooperatives union could perform greater than 67 times fixed assets of the total sales.

4.2.2. Income ratios

They are profit margin ratios which compare components of income with sales. They give an idea of what makes up a coffee marketing cooperatives union's income and are usually expressed as apportion of each birr of sales.

A. Net profit margin Ratio: It indicates the coffee marketing cooperatives union's performance in generating the high net income in relation to the total sales achieved in each financial year. As indicated in table 20 below, the net profit margin ratio of the cooperatives union in the year 2008, 2009, 2010, 2011 and 2012 was 0.02, 0.08, 0.043, 0.025 and 0.024 respectively. It shows that in the last five years (2008, 2009, 2010, 2011 and 2012), the cooperatives union could earn 2%, 8%, 4.3% 2.5% and 2.4% respectively of the total sales as a net profit. The average net profit margin ratio of the five year was 3.84%. However, in most of business organization the pricing objective might be (5-8) % of return on sale or Net profit margin ratio (FAO, 2006). Although the cooperatives union accomplished inefficiently in its financial operation, in principle, unlike other business firms, cooperatives are responsible to provide services at reasonable price than maximizing profit.

B. Gross Profit Margin

It is the ratio of gross profit to sales. This ratio indicates that how much of each birr of sales is left over after deducting of costs of goods sold and ending inventory. The Gross Profit Margin of coffee marketing cooperatives union was evaluated by comparing the five years Gross Income generated by the cooperatives union to the sales accomplished with in the same operation years. Hence, the result of the ratio was 0.042, 0.14, 0.09, 0.10 and 0.04 in the years 2008, 2009, 2010, 2011, and 2012 respectively or 4%, 14%, 9%, 10% and 4% of the total sales in the respective last five years. On the average, the 5 years gross margin of the coffee marketing cooperatives union under the investigation was 8.2% of the average total sales of the years.

C. Operating Expenses Margin

It is the deference between gross profit margin and net income margin. This margin was determined by deducting the coffee marketing cooperatives union's net income margin from its gross profit margin at each five financial years. Hence, the operating expense of the cooperatives union in the years 2008, 2009, 2010, 2011 and 2012 was 2%, 6%, 4.7%, 7.5% and 1.6% of the total sales respectively. On an average for the last five years the cooperative union incurs 4.36% of total sales as operating costs to achieve its objectives.

4.2.3. Return on Investment (ROI)

Typical pricing objectives might be a 20–25% annual rate of return on investment (after tax). Individual targets are likely to be set for strategic business units, product lines and individual Products (FAO, 2006).

A. Return on Owners' Equity: Return on owners' Equity ratio of the cooperatives union in the years 2008, 2009, 2010, 2011 and 2012 was 0.83, 0.82, 0.37, 0.70 and 0.71 respectively. This ratio determines the payback on assets used to operate the business by relating business to the assets required to produce them. For the coffee cooperatives union, an investment of 1 birr in assets is required to generate the respective 0.68 cents in profit for each year.

B. Return on Total assets: The financial ratio of net income to asset of the coffee marketing cooperatives union was, 0.06, 0.12, 0.07, 0.14 and 0.03 in the year 2008, 2009, 2010, 2011 and 2012 respectively. It means, the cooperatives union could generate 6%, 12%, 7%, 14.5% and 3% of the sum total of its own equity and creditor's obligation as a net income from the years 2008 – 2012 respectively. On the average the return on total assets of the coffee marketing cooperatives union's was 8.4% of the total assets.

4.2.4. Share Holders Ratio Analysis

A. Return on Share holders' Equity

Regarding Return on Share holders' Equity, for the years 2008, 2009, 2010, 2011 and 2012 the return on shareholders' equity ratio was 1.13, 1.78, 1.17, 2.56 and 1.38 respectively. This means, the investment of one birr of owners' equity in the cooperatives union could generate on the average for the five years more than 1.6 birr. It also indicates the efficiency of cooperatives union in its business performance that could generate greater than 100% of owners' equity as an income.

B. Dividend per share Capital

Dividend per share Capital of the cooperatives union in the years 2008, 2009, 2010, 2011 and 2012 were; 0.68, 1.07, 0.70, 1.54 and 0.83 respectively. Similarly, this ratio indicates that 1 birr of members share investment enabled them to earn on average 96 cents as a dividend. It also implies, the coffee marketing cooperatives union had accomplished highly profitable activities.

4.2.5. Liquidity ratio analysis:

It refers to the ratio of current liabilities to that of the current asset within the same financial period that could enable the cooperatives union to pay its current obligation. The rule of thumb for this ratio is 2:1 (Anderson and Vincze, 2000).

A. Current Ratio:

It is the Size of current assets relative to current liabilities. It indicates the coffee marketing cooperatives union's ability to satisfy its current liability with its current assets and determined evaluating the proportion of current assets to current liabilities. As indicated in table 21 below, the Current ratio of the cooperatives union in the years 2008, 2009, 2010, 20011 and 2012 was 1.23, 1.12, 1.7, 1.14 and 1.03 respectively. On the average the five years current ratio of the cooperatives union was 1.24. However the rule of thumb for this ratio is 2. The small ratio below the rule indicates that the coffee marketing cooperatives union was faced short come in paying the current obligation of creditors'.

B. Quick ratio (acid-test):

Size of coffee marketing cooperatives union's most liquid current assets relative to current liabilities (Inventories excluded). Indicates that the company's ability to satisfy its most current liability with its liquid assets.

As indicated in table 21 below, the quick ratio of Chercher Oda Bulttom Coffee Marketing cooperatives Union in the years of 2008, 2009, 2010, 2011 and 2012 was 0.95, 1.01, 1.023, 0.92 and 0.99 respectively. On the average, for the last five years the quick ratio of the Cooperatives Union under investigation was 0.98. However, the rule of thumb was 1. Therefore, the cooperatives union under the investigation was under risk to pay the quickest obligation by using the available current assets.

C. Net working capital: Working capital usually refers to the difference of current assets and current liability. The net working capital of Chercher Oda Bulttom coffee marketing cooperatives union for the years of 2008, 2009, 2010, 2011 and 2012 was 656,144.24 birr, 1,529,777.84birr, 3,402,400.birr, 4,374,073.birr and 9,744,605 birr respectively. It shows that the cooperatives union under investigation was enhanced its working capital continuously

from year to year. In fact, a large amount of current assets relative to current liability provides assurance that the cooperatives union will be able to satisfy its immediate obligation.

However, Chercher Oda Bulttom Coffee Marketing Cooperatives Union was utilized the large amount of current liability as compared to its net working capital. A ratio of less than 2:1 indicates that liabilities exceed current assets and that if the current liabilities were called; the cooperative cannot readily pay to the creditors in the short run.

4.2.6. Financial Leverage Management ratio analysis

A. Debt- Owners' Equity Ratio

As indicated in table 21 below, the total debt to total equity ratio of the cooperatives union under investigation in the years 2008, 2009, 2010, 2011 and 2012 was 2.92, 5.83, 4.11, 3.78 and 22.88 respectively. In the average for the five years (2008 – 2012) debt-net worth ratio was 7.87. however, in the year 2012, the debt to owners equity ratio was 22.88 which was highly enhanced because of high agricultural input loan provision by the government. On the average the cooperatives union was utilized almost 8 times total own equity of the outside source of fund while the maximum standard 2 times. It has a negative impact to the future credit provision by the creditors. Because, The creditors may look for the current status of the financial position of the cooperatives union regarding to the proportion of owners equity and the creditors' obligation to secure the repayment of the loan.

B. Long – Term debt to Asset ratio: Regarding the long term debt to asset ratio, the cooperatives under investigation did not utilize the long term loan in its capital investment. It implies that the cooperatives union loses an opportunity to perform long term investments that might enhance the efficiency related to capital budget allocation.

C. Total debt to total assets ratio: The total debt to asset ratio of the cooperatives union for the last five years (2008, 2009, 2010, 2011 and 2012) was 0.74, 0.85, 0.80, 0.79 and 0.98 respectively. On the average for the last five years the total debt to asset ratio of the union was 0.83. It indicates that out of total available assets in which the union used for its transaction, 83% of them was outside source while the standard was 70%.

Table 21: Result of ratios analyzed from 5 years audit report of cooperatives union

Ratios	Auditing years				
	2008	2009	2010	2011	2012
1. Current Ratio	1.23	1.12	1.17	1.14	1.03
2. Quick Ratio	0.95	1.01	1.023	0.92	0.99
3. Net working capital	656,144	1,529,777	3,402,400	4,374,073	9,744,605
4. Inventory Turnover	38.41	16.62	12.24	10.64	20.94
5. Account Receivable Turnover	10.31	2.08	1.77	1.72	1.71
6. Total Asset Turn over	8.25	1.87	1.64	1.90	1.64
7. Fixed Asset Turnover	94.89	45.76	29.82	20.67	147.16
8. Operating income Ratio	0.02	0.08	0.043	0.025	0.024
9. Operating profit margin	0.042	0.14	0.09	0.10	0.04
10. Return on Sales (Net Profit Margin Ratio)	0.025	0.064	0.04	0.076	0.02
11. Return on Equity	0.83	0.82	0.37	0.70	0.71
12. Return on Total assets	0.06	0.12	0.07	0.145	0.03
13. Return on Share holders' Equity	1.13	1.78	1.17	2.56	1.38
14. Dividend per share Capital	0.68	1.07	0.70	1.54	0.83
15. Dept-Equity Ratio	2.92	5.83	4.11	3.78	22.88
16. Long – Term debt to Asset ratio					

Source: Audit report of Chercher Oda Bultom Cooperatives Union (Appendix 1 & 2)

4.3. Market Share Coverage and Market Channel in the study area

4.3.1. Market coverage of Chercher Oda Bulttom Coffee Marketing cooperatives union

Market share coverage was employed in order to reveal how well the cooperative was performing relative to competitors.

1. Overall market share: The Cooperatives union's market share coverage expressed as a percentage of total market sales in the year 2008, 2009, 2010, 2011 and 2012 was 2.13%, 12.50%, 9.05%, 7.38%, and 30.60% relatively. On the average in the last five years the coffee marketing cooperatives union was shared 9.98% of the total coffee product marketed in the area.

2. Served market share: Sales expressed as a percentage of the total sales to its served market. Served market is all the buyers who are able and willing to buy its product. Served market share is always larger than overall market. In principle, a company could capture 100% of its served market and yet have a relatively small share of the total market. In cooperatives served market implies all members of cooperatives should have willing and obligation to sale their products to their cooperatives. However, in the study area only 67.5% of the sampled members were selling their coffee product through cooperative market channel. It implies that the cooperative union could control only 67.5% of its served market while the standard was 100%.

3. Relative market share: Can be expressed as market share in relative to its largest competitor. 'RMS>100% Market leader, RMS = 100% tied for the leader'. Rise in a relative market share means a company is gaining on its leading competitors. However in the study area In the year 2012 the Cooperatives Union couldn't control its relative market share in which the union purchase only 5,516 MT while an individual trader (DemekeTafese) was marketed more than 10,000 MT of coffee product so could control twice the market share of the cooperative union under study.

Table 22: Description of market coverage by the cooperatives

year	Total coffee produced in MT	Total Coffee product marketed in MT	Coffee product marketed by the coop union		
			Quantity in MT	% of total marketed	% of total produced
2008	12,083	6975.95	149	2.13	1.23
2009	8,380	5614.7	702	12.50	8.38
2010	9,406	4468.6	404.3	9.05	4.30
2011	11,573	7446.5	549.4	7.38	4.75
2012	5,316	3108.75	951.3	30.60	17.89
	46,758	27614.5	2756	9.98	5.89

Source: secondary data from Agricultural office and cooperatives promotion agency

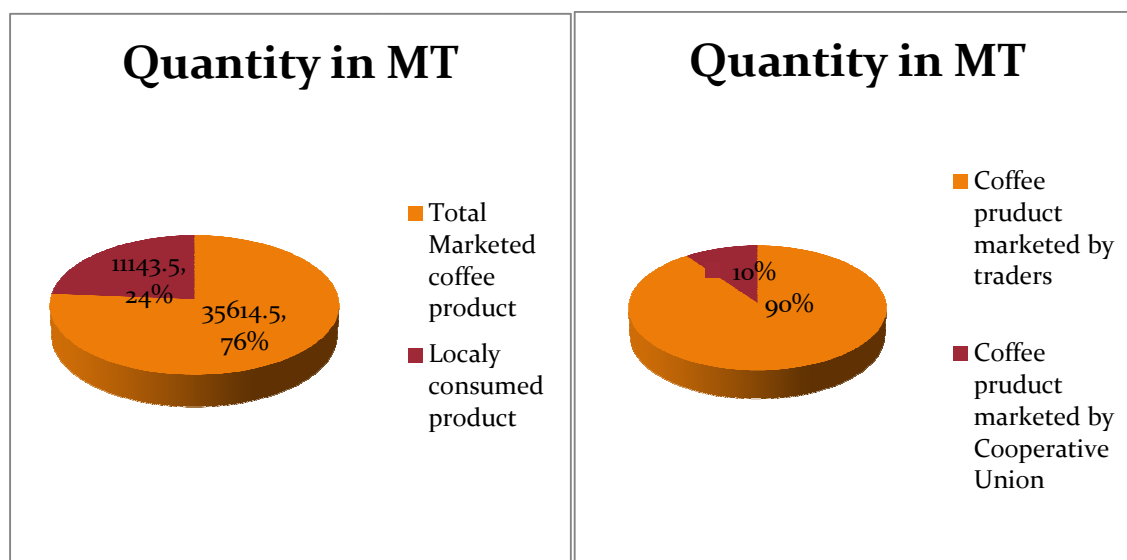
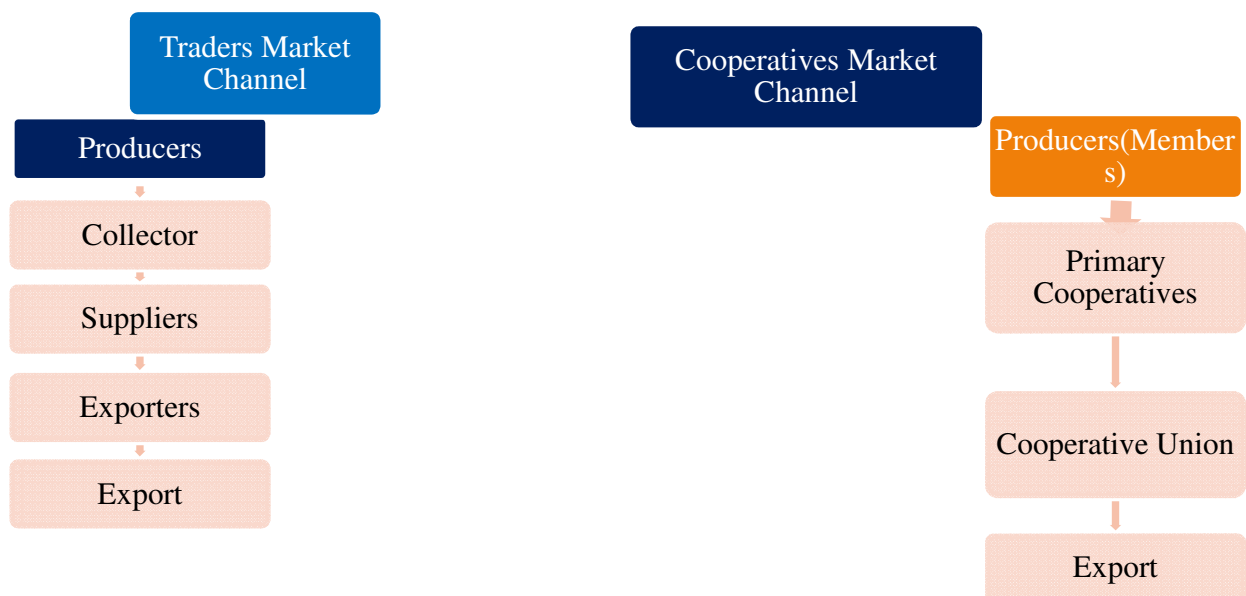


Figure 5: chart of market share for cooperative union and traders

4.3.2. Market channel of the study area.

In the study area, there were two types of marketing channels in which the first and longest channel was the traders' channel that employ three levels of market channel. And the second type of marketing channel was the cooperatives channel which involves two level of marketing channel. However, in cooperatives marketing channel, it is possible to say the channel was zero channel (producers direct marketing) because the profit margin earned at each level of cooperatives marketing channel was paid back to the members (producers) as a patron dividend. Moreover, in the study area as observed from traders interview and secondary data obtained from Chercher Oda Bulttom Farmers Cooperatives Union, at primary market level the primary cooperatives were paid on the average greater than one birr of price per one kilogram of both red cherry and dry cherry to the producers

Figure 6: Marketing channels in the study area



Source: From own traders and sampled household field survey.

4.3.3. Marketing Margin Analysis

Taking the cooperatives and other intermediaries as links in coffee marketing channels, attempt was made to compute and compare total gross marketing margin (TGMM) of Cooperatives Marketing channel and Traders Marketing channel.

A. Traders' Total Gross Marketing Margin $= (48 - 37.75) / 48 * 100 = 21.35 \%$

B. Cooperatives' Total Gross Marketing Margin $= (48 - 41.45) / 48 * 100 = 13.63 \%$

It is somehow useful to determine the portion of the price paid by the consumer that goes to the producers. The producers' margin is calculated as:

A. Traders' Total Gross Marketing Margin of Producers $= (48 - 21.35) / 48 * 100 = 55.5\%$

B. Cooperatives' Total Gross Marketing Margin of Producers $= (48 - 13.63) / 48 * 100 = 71.60\%$

Table 23: Traders Local purchasing price of coffee product

Description	N	Minimum	Maximum	Mean
YEAR1 Purchasing price	15	23.50	24	23.75
YEAR2P Purchasing price	15	28.50	34.50	48.10
YEAR3 Purchasing price	15	30.00	44.00	38.20
YEAR4 Purchasing price	15	37.50	48.23	45.45
YEAR5 Purchasing price	15	45.00	56.50	50.37
MEAN OF 5YEARS Purchasing Price	5	23.75	50.37	37.75
MEAN OF 5YR Purchasing price for coop	5	24.00	56.50	41.45

Source: Computed from own field survey data of table 4

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

In developing country, Smallholder farmers depend largely on family labor to cultivate a mix of subsistence and commercial crops on small to medium sized farms. In many countries, increasing the incomes, output, and productivity of small farms is the cornerstone of rural development strategies. Of late however, volatile commodity prices, market liberalization and unfair trade policies threaten their already fragile livelihoods. Further, smallholder farmers' ability to tap into more lucrative regional and international markets is hindered by poor access to markets, high transaction and transport costs and unreliable market information. Undoubtedly, smallholder farmers play a lead role in any rural development strategy. Smallholders make a contribution not only to agricultural productivity but also to overall economic growth, by providing labor, capital, food, foreign exchange, and a consumer good market. Therefore, significant roles are expected from agricultural cooperatives to provide efficient and effective marketing system that can develop strong market linkage between producer and consumer in order to capacitate producers to set the price rather than taking the price on agricultural product marketing (USAID, 2006). However, the survey has further revealed that marketing primary societies did not effectively performing their marketing services. This study therefore, was aimed at evaluating the performance efficiency of coffee marketing cooperatives union elaborate the marketing channels available in the area and evaluate the level of members' satisfaction. and For the purpose of assessing performance of coffee marketing cooperatives union and members satisfaction, a two stage sampling technique was applied. The first stage involves Purposive sampling of 5 primaries coffee marketing cooperatives from the 15 coffee marketing primary cooperatives in which one primary cooperative selected from each five district bounded with in Chercher Oda Bulttom coffee marketing Farmers' Cooperatives Union. In the second stage, random sampling of individual member farm households in the peasant administration of which the sampled cooperatives are organized. The required secondary data was collected from relevant data sources. Audit reports of coffee marketing cooperatives union and related stakeholders and key informants were used as sources of information to evaluate performance of coffee marketing cooperatives union.

Therefore, the result of this study was concluded as follow:

Ratio analysis was used as a methods of calculating and interpreting financial ratios to evaluate the financial performance of Chercher Oda Bultom coffee marketing cooperatives union. Hence, the six aspects of operating performance and financial condition could be used:

As a result, regarding efficiency ratios: Inventory Turnover in the years 2008, 2009, 2010, 2011 and 2012 was 38.41 16.62, 12.24 10.64 and 20.94 respectively. The high turnover ratio implies the efficiency of the management of the coffee marketing cooperatives union in recovering the inventory of the cooperatives union in a highly accelerated rate. Hence, the inventory turnover ratio of the cooperatives union under investigation reveals an efficient performance with the decline rate from year to year and tends to rise on the last year. Account Receivable Turnover (ales on credit/Account receivable) of the cooperatives union for the 5 (2008 -2012) years was 10.31, 2.08, 1.77, 1.72 and 1.71 respectively. It indicates the efficiency of cooperatives union in achieving times in the period credit sales have been created and collected. The 5 consecutive years total asset turnover ratio was 8.25, 1.87, 1.64, 1.91 and 1.64 respectively. Fixed Asset Turnover of the cooperatives union was 94.89, 45.76, 29.82, 20.67 and 147.10 with respect to the 5 years which implies, the cooperatives union's efficiency to effectively utilize fixed asset. Therefore, a high turnover ratio means that cooperative union's ability to sell larger stock and find it easy to sell. And this may be an indicator that a sizable amount of fund was circulated effectively.

As to income ratios, the net profit margin ratio of the cooperatives union in the year 2008, 2009, 2010, 2011 and 2012 was 0.02, 0.08, 0.043, 0.025 and 0.024 respectively. It shows that in the last five years the cooperatives union could earn 2%, 8%, 4.3% 2.5% and 2.4% respectively of the total sales as a net profit. The average net profit margin ratio of the five year was 3.84% while the other firms trend were greater than 5%. Although the cooperatives union was accomplished minimum net profit margin in its financial operation, in principle, unlike other business firms, cooperatives are responsible to provide services at reasonable price than maximizing profit. The Gross Profit Margin of coffee marketing cooperatives union was 0.042, 0.14, 0.09, 0.10 and 0.04 in the years 2008, 2009, 2010, 2011, and 2012 respectively or 4%, 14%, 9%, 10% and 4% of the total sales in the respective last five years.

On the average, the 5 years gross margin of the coffee marketing cooperatives union under the investigation was 8.2% of the average total sales of the years. The operating expense of the cooperatives union in the years 2008, 2009, 2010, 2011 and 2012 was 2%, 6%, 4.7%, 7.5% and 1.6% of the total sales respectively. On an average for the last five years the cooperative union incurs 4.36% of total sales as operating costs to achieve its objectives. However, as cooperatives are not for profit type of business organization and their main objective is service rendering at reasonable price to their members, this result implies that the commitment of the cooperatives union in serving its members by providing broad and widest service at minimum margins. Therefore, the cooperatives union was accomplished an efficient performance with regard to income ratios.

As the result of Return on Investment (ROI) ratios; although the typical pricing objectives of private firm might be a 20–25% annual rate of return on investment (after tax) (FAO, 2006), Return on owners' Equity ratio of the cooperatives union in the years 2008, 2009, 2010, 2011 and 2012 was 0.83, 0.82, 0.37, 0.70 and 0.71 respectively. For the coffee cooperatives union, an investment of 1 birr in assets was required to generate the respective 0.68 cents in profit for each year so accomplished efficiently. The financial ratio return on total assets of the coffee marketing cooperatives union was, 0.06, 0.12, 0.07, 0.14 and 0.03 in the year 2008, 2009, 2010, 2011 and 2012 respectively. It means, the cooperatives union could generate 6%, 12%, 7%, 14.5% and 3% of the sum total of its own equity and creditor's obligation as a net income from the years 2008 – 2012 respectively. On the average the return on total assets of the coffee marketing cooperatives union's was 8.4% of the total assets. Therefore, the cooperatives union was accomplished an efficient financial performance.

Regarding to Share holders Ratio Analysis, the Return on Share holders' Equity, for the years 2008, 2009, 2010, 2011 and 2012 the return on shareholders' equity ratio was 1.13, 1.78, 1.17, 2.56 and 1.38 respectively. This means, the investment of one birr of owners' equity in the cooperatives union could generate on the average for the five years more than 1.6 birr. It also indicates the efficiency of cooperatives union in its business performance. Dividend per share Capital of the cooperatives union in the years 2008, 2009, 2010, 2011 and 20012 were; 0.68, 1.07, 0.70, 1.54 and 0.83 respectively. Similarly, this ratio indicates that 1 birr of members share investment enabled them to earn on average 96 cents as a dividend. It also implies, the coffee marketing cooperatives union had accomplished highly profitable activities.

As to Liquidity ratio analysis: the Current ratio of the cooperatives union in the years 2008, 2009, 2010, 2011 and 2012 was 1.23, 1.12, 1.7, 1.14 and 1.03 respectively. On the average the five years current ratio of the cooperatives union was 1.24. However the rule of thumb for this ratio is 2. The small ratio below the rule indicates that the coffee marketing cooperatives union was faced short come in paying the current obligation of creditors'. Regarding to the quick ratio of Chercher Oda Bulttom coffee marketing union in the years of 2008, 2009, 2010, 2011 and 2012 was 0.95, 1.01, 1.023, 0.92 and 0.99 respectively. On the average, for the last five years the quick ratio of the cooperatives union under investigation was 0.98. However, the rule of thumb was 1. Therefore, the cooperatives union under the investigation was under risk to pay the quickest obligation of creditors by using the available current assets.

The net working capital of Chercher Oda Bulttom coffee marketing cooperatives union for the years of 2008, 2009, 2010, 2011 and 2012 was 656,144.24 birr, 1,529,777.84birr, 3,402,400.birr, 4,374,073.birr and 9,744,605 birr respectively. It shows that the cooperatives union under investigation was enhanced its working capital continuously from year to year. In fact, a large amount of current assets relative to current liability provides assurance that the cooperatives union will be able to satisfy its immediate obligation. A ratio of less than 2:1 indicates that liabilities exceed current assets and that if the current liabilities were called; the cooperative cannot readily pay to the creditors in the short run.

Regarding to the financial performance related to financial leverage management analysis; the total debt to owners' equity ratio of the cooperatives union under investigation in the years 2008, 2009, 2010, 2011 and 2012 was 2.92, 5.83, 4.11, 3.78 and 22.88 respectively. In the average for the five years (2008 – 2012) debt-net worth ratio were 7.87. The cooperatives union was utilized almost 8 times its own equity from the outside source of fund while the maximum standard 2 times. It has a negative impact to the future credit provision by the creditors. However, the cooperatives union under investigation did not utilize the long term loan in its capital investment. It implies that the cooperatives union loses an opportunity to perform long term investments that might enhance the efficiency related to capital budget allocation. But, the total debt to asset ratio of the cooperatives union for the last five years (2008, 2009, 2010, 2011 and 2012) was 0.74, 0.85, 0.80, 0.79 and 0.98 respectively.

On the average for the last five years the total debt to asset ratio of the union was 0.83. It indicates that out of total available assets in which the union used for its transaction, 83% of them was outside source while the standard was 70%. Therefore, with respect to the result from ratio analysis, except in the financial leverage management and liquidity ratio analysis, which reveals the external, governmental, development interference in using cooperatives as a bridge to distribute agricultural inputs to the farmers that could enhance the level of liability in the assets of the union, the cooperatives union under investigation accomplished its operation efficiently.

The second criteria employed to evaluate performance of coffee marketing cooperatives union was, Market share analysis, which was employed in order to reveal how well the cooperative was performed relative to competitors. On the average in the last five years the coffee marketing cooperatives union was shared 9.98% of the total coffee product marketed in the area. Although in principle, a company could capture 100% of its served market and yet have a relatively small share of the total market, in the study area only 67.5% of the sampled members were selling their coffee product through cooperative market channel. It implies that the cooperative union could control only 67.5% of its served market while the standard was 100%. Moreover, in the year 2012 the cooperatives union couldn't control its relative market share in which the union purchase only 5,516 MT while an individual trader (DemekeTafese) was marketed more than 10,000 MT of coffee product in which he could control twice the market share of the cooperative union under study. Therefore, regarding coffee market share coverage, the coffee marketing cooperatives union's performance was inefficient.

The third method employed to evaluate the performance of coffee marketing cooperatives union was, Marketing margins of coffee marketing agents at different stages. Taking the cooperatives and other intermediaries as links in coffee marketing channels, attempt was made to compute total gross marketing margin (TGMM). Regarding total gross marketing margin the result in traders marketing channel was 21.35 % while in the coffee marketing cooperatives channel was 13.63 %. It implies the cooperatives union could perform effective marketing activity in controlling the operational costs that could enable the producers to earn large market price share than traders marketing channels.

As to the portion of the price paid by the consumer that goes to the producers "The producers' margin", Traders Total Gross Marketing Margin of Producers was 55.5% while Cooperatives Total Gross Marketing Margin of Producers 71.60%. It indicates that, coffee marketing cooperatives union under the investigation could enhance the share of buyers' (users') price of coffee product that goes to the producers than the traders market channels. Concerning the marketing margin the cooperatives union performance was efficient.

Regarding to the effectiveness of coffee marketing cooperatives union's leadership: the efficient result was obtained from respondents' opinion in such a way that the number of members of the cooperatives union was increasing with no dropout, The leaders of the cooperatives union was transparent and accountable, the leaders of the cooperatives union was responsible, the election procedure of board was based on members vote and the effectiveness of management of the cooperatives union was very strong. However, The cooperatives union under investigation was inadequately perform the services provided in relation to loan provision, information supply and farm tools supply while the Performance in Fertilizer supply and seeds supply was adequate. Moreover, Regarding to Members' participation, only 67.5 percent of the total respondents were sold their coffee product through their cooperatives market channel. And only 51.7 percent of the total sampled respondents were opined that they regularly participate in developing the market plan of their cooperative. At the same time, only 30 percent of the total respondents were regularly participating in implementing the marketing plan of their cooperative. Accordingly, about 50.8 percent of the total respondents were regularly participating in decision making activities of their cooperative. In fact, the individual member households should not directly participate in the activities performed by the cooperatives union. But through their primary cooperatives those are members to the coffee marketing cooperatives union. Therefore, the result reveals that inefficiently performance of the primary cooperatives in attracting the member to participate in their cooperative and inefficiently performance of the cooperatives union in empowering the member primary cooperatives to do so.

As to members satisfaction on service rendered by cooperatives union, with regard to input supply, information supply, training provision, farm tools provision, loan provision service rendered by the cooperative union most of the total sampled household were more or less satisfied. (which indicates 80% more or less satisfied). Moreover, 81.5% of the respondents were more or less satisfied with the patronage paid by the cooperatives union. Regarding to the constraints tackling the effectiveness of coffee product marketing cooperatives union, as the result from sample respondent opinion the most important of them in the study area were: Poor care of quality coffee product supplied to the cooperatives union, Lack of finance to produce quality coffee product, Lack of genuine scaling, Distance of coffee market from the farmer and Lack of awareness about coffee marketing were an important constraints those independently shared the total sampled households opinion of 70.0%, 68.3%, 50.80%, 50.80% and 50 % respectively. However, Not availability of quality marketing service , Inadequate technical advice on coffee product quality, Price fluctuation and High transportation cost with most important opinion percentage of 49.2 , 40, 28.3 and 28.3 respectively of the total respondent independently.

Generally, there was efficient performance in leadership effectiveness, minimizing the total marketing margin of the coffee product marketing, financial performance except in liquidity ratio and financial leverage management ratio, and most of the sampled households were more or less satisfied with the marketing services provided by the cooperatives union. However, The cooperatives union under investigation was inefficient in performing the coffee product marketing due to inefficient performance with regarding to important areas of: coffee market share coverage, empowering the member primary cooperatives' leadership to attract individual household's participation in the cooperatives. And inadequately performance of the marketing services provided to members.

5.2. Recommendations

In this study, as the result from an interview with the sampled individual members and focal group discussion held with the board of directors of the cooperatives union, It was found that there were barriers between the marketing services provided by the coffee marketing cooperative union and the participation of individual members/households in efficiently utilizing the services provided by cooperatives union as well as in pulling the members coffee product toward the cooperatives union. And the state's policy force in achieving agricultural input supply beyond the capacity of the cooperatives union that might lead to inefficient to pay immediate financial obligations.

1. As discussed in chapter four of this thesis, Chercher Oda Bulttum coffee marketing cooperatives union could captured very small part of the available market share in collecting coffee product and there was also an evidence from respondent households' opinion that shows some of members of the coffee marketing cooperatives were not regularly selling their produce to their own cooperatives. This is may be because of the fact that the coffee marketing primary cooperatives society those are members of the cooperatives union acting as a bridge between cooperatives union and individual members may lack capability in collecting (purchasing) individual members coffee product effectively and regularly. Thus, more active participation and coordination of member primary cooperatives in coffee marketing functions, requires experts and government bodies to capacitate the coffee marketing cooperatives in enhancing their involvement in coffee product marketing.

2. As to the result of the efficiency ratio analysis, a desirable progresses of financial performance was observed from efficiency ratios, income ratios, return on investment ratios and share holders ratios except in the financial leverage management and liquidity ratio analysis, which reveals the external, governmental, development interference in using cooperatives as a bridge to distribute agricultural inputs loans to the farmers (including members and non members of the cooperatives in the area) that could enhanced the level of liability in the assets of the union.

Therefore, it requires awareness creation for top management of the cooperatives union and governmental appropriate authority to minimize the financial risk created in achieving the governmental program of bulk agricultural input supply that could be beyond the capacity of the cooperatives union to repay back.

3. In order to enhance the level of satisfaction of individual members on the marketing services provided by coffee marketing cooperatives union, the management of coffee marketing cooperatives union, and the appropriate authority should contribute strong intervention in the area of empowering the capability of the coffee marketing primary cooperatives in efficiently forwarding the services provided by cooperatives union to individual members as well as in effectively collecting members' coffee produce. Moreover, the cooperatives union should develop the strategic and tactical method to provide effective and efficient training to the farmer members at the cooperatives union's own cost in the provision of finance, training materials, trainers and others required by raising fund in and outside of the cooperatives union.

4. Finally, Governmental intervention paramount important in formulating the guideline in the area of: agricultural input supply system that can assure the cooperatives union freedom from bankruptcy and financial risk created by the external influence. And awareness creation to the society in order to increase the number of members in primary cooperatives. Moreover, governmental and nongovernmental organizations' support in provision of finance, education, training and consultancy service for the cooperatives union, primary cooperatives and management members and employees of the cooperatives at each primary and secondary level are important to further enhance the performance of Chercher Oda Bulttum coffee marketing cooperatives union.

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7. APPENDIXES

Appendix 1: SUMMARY OF LAST FIVE YEARS BALANCE SHEET OF CHERCHER ODA BULTTUM COOPERATIVES UNION (2008-2012)

Description	2008		2009		2010		2011		2012	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
A. Assets										
1. Current Asset										
Cash In Hand	23,101		15102		606.85		23,196		52071.35	
Cash In Bank	95181		2,833,738		5400614		5,564,500		12,488,708	
Inventories	801,947		1,413,741		2,951,815		6,701,487		11,883,152	
Investment	536000		761,000		831,649		1,929,469		3,329,649	
A/Receivable	2,102,677		8,879,681		13,660,209		19,768,584		285,673,280	
Total Curr/ Asset	3,558,907		13903263		22844895		33,987,238		313426861	
2. Fixed Assets										
Vehicles									2,747,739	
Building									1,115,537	
Generator/Motors									10620	
Depreciation									-344,946	
Total Plant Asset	<u>338850.</u>		<u>591,926</u>		1,327,078		3,449,461		3,528,951	
Total Asset	<u>3,897,758</u>		<u>14,495,189</u>		<u>24,171,974</u>		<u>37,436,699</u>		<u>316,955,812</u>	
B. Liabilities										
1.C/ Liabilities		2,902,763				19,442,494				5,233,589
Loan Payable		1,244,000		10,863,165		17,996,307		26,345,423		104,441
Dividend Payable		576,087		1,415,835		1,060,713		3,267,858		5,623,387
Others liabilities		713,962		94485		385,474				1,410,134
Interest payable		368,713								291,310,701
C. Capital		729,000		981,268		1,513,390		2,123,134		6,752,332
Share Capital		246,894		781,857		2,218,484		2,946,084		5,757,777
Reserve Fund								1,366,431		
Retained earning		19100		169,100.00		729,100.00		729,100		763,446.870
Donation				189,479.21		268,504.86		549,303.96		-
Work Expansion		<u>994,994</u>		<u>2,121,704</u>		<u>4,729,479.00</u>		7,823,534		<u>13,273,556</u>
Total Capital		<u>3,897,758</u>		<u>14,495,189</u>		<u>24,171,973</u>		37,436,699		<u>316,955,812</u>

Source: Secondary data obtained and computed from five years audit reports chercher oda bulttum cooperatives union

Appendix 2: SUMMARY OF INCOME STATEMENT OF CHERCHER ODA BULTTUM COOPERATIVES UNION FOR THE PAST FIVE YEARS (2008-2012)

Description	2008		2009		2010		2011		2012	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Sales		32,155,485		27,089,245		39,572,070		71,316,267.4		519,106,664
Beginning Inventory	_		801,946		1,365,295		2,939,962.47		4,759,112.25	
Purchase	30,490,406		23,943,288		35,331,104		65,200,263		504,751,281	
Total Purchase	30,490,406		24,745,234		36,696,400		68,140,226		509,510,394	
Freight In	1,115,829				2,402,870		3,356,723.71		11,883,152	
Goods Available	31,606,236		24,745,234		39,099,270				521,393,546	
Ending Inventory		801,946		1,403,931		2,951,815		6,719,980.04		23,766,304
Cost Of Goods Sold	30,804,290	_	23,341,302		36,147,455		71,496,949		497,627,241	497,627,241
Gross Profit		1,351,195		3,747,942		3,424,614		7,262,513.94		21,479,422
Operating Expense	662,282		2,225,739		1,717,859		1,816,279.21		12,628,703	
Other Income		134069		222831.56		61,099.25				521,592.78
Net Income		822,982		1,745,034		<u>1,767,855</u>		5,446,234.7		9,372,312

Source: Secondary data obtained and summarized from audit report of chercher oda bulttum cooperatives union.

Appendix 3: POPULATION, AGROECHOLOGY AND LAND USE OF THE STUDY AREA

Name of Districts	Population Characteristics				Agricultural land holders			Farming system and land use						
	Total	Male	Female	No of kebele	Male	Female	Total	Total Land	Coffee production	Maize, Sorghum, Cereals	Kyat settlement	Forest	Others	
O/Bul	182503	93409	89094	37	18150	113	18263		3470	32732	615	5969.92	97149	136467
Habro	222238	115119	107119	32	19870	193	20063		7163.86	59223.895	725	204.32	2204.76	62358.47
Booke	94345	43590	50755	22	18550	515	19065		15808	35468	420	14662.9	19296.1	69847
Gu/Ko	141669	72533	69136	29	8354	258	8612		2132	46526.75	131	447.7	11962.89	59068.34
Da/La	172235	88247	83988	37	17394	296	17690		14733.5	75200	1339	30601.2	21917.79	129058
	812990	412898	400092	158	82318	1375	83693	295688	43307.36	249150.65	3230	51886.1	152530.5	456798.8

Appendix 4: CLIMATE, COFFEE PRODUCTION AND COFFEE PRODUCT MARKETING IN THE STUDY AREA

Name of Districts	Climatic Distribution in %			Yearly coffee production in the area					Yearly coffee marketed in the area					Yearly Coffee Product Marketed by the coop Union				
	Dega	W/Deg	Kola	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
O/Bul	4	31	65	820	684	720	753	244	414	596	388	602	351					7.15
Habro	18	57	25	2031	1028	1232	1464	358	942	814	542.6	930.	303					10.9
Booke	3	45	52	3000	2155	3002	3650	1149	934	1504	457	1690	475					50
Gu/Ko	10	30	60	232	210	187	170	101										69.4
Da/La	12	44	44	6000	4303	4265	5500	3464	4685	3892	3081	4224	1978					7.12
	9.4	41.4	49.2	12083	8380	9406	11537	5316	6975	5614	4468	7446	3108	149	702	404	549	951

Appendix 5: LOAN PROVIDED BY COOPS UNION TO MEMBER PRIMARY COOPERATIVES

Year	2008	2009	2010	2011	2012
Type of loan	Short term	Short term	Short term	Short term	Short term
Objective of loan	Coffee marketing	-	Coffee marketing	Coffee marketing	Coffee marketing
Number of cooperatives involved	5	-	9	14	16
Total loan provided	2,000,000	-	3,000,000	6,000,000	8,144,900

Source: Computed from secondary data obtained by official informant group discussion

Appendix 6: Training budget provided by coffee marketing cooperatives union

Year	Type of training	Duration	Area of training	No. of coops participate	No. of participants	Total cost of training
2008		5 days	Product quality and marketing	5	87	37,595
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
2012			Product quality and marketing	15	314	135,000

Source: Computed from secondary data obtained by official informant group discussion

Appendix 7: Capital increment, Net profit earned and Dividend paid by coffee marketing coops union.

Year	Capital	Net profit earned	Dividend paid
2005/06	714,000 .00	285,000.00	171,000.00
1999 947	947,260 .00	726,458.00	435,874.80
2008	1,543,000.00	822,982.19	493,789.31
2009	2,193,000.00	1,645,718.00	987,430.80
2010	3,800,000.00	1,767,855.13	1,060,713.08
2011	8,476,000.00	5,446,234.73	3,267,740.84
2012	14,760,646.00	9,372,312.25	5,623,387.00

Source: Computed from secondary data obtained by official informant group discussion

APPENDIXES 8: INTERVIEW SCHEDULE:

Performance Evaluation on coffee Marketing cooperative in the case of Chercher Oda Bulttom farmers cooperatives union, West Hareghe, Oromia region, Ethiopia.

I. PA Level

- 1) Name of the Woreda -----
- 2) Name of the primary cooperative-----
- 3) Population size in PA-----
- 4) Land use (rain based or irrigated) -----
- 5) Land covered by coffee production-----
- 6) Types of coffee produced -----
- 7) Distance b/n farmers and the local market-----

II. Household Characteristics

- 8) Name of the respondent -----
- 9) Age -----
- 10) Sex-----
- 11) Educational status

a. 0, b. 1, c. 2, d. 3, e. 4, f. 5, g. 6, h.7, i. 8, j. 9, k. 10, l. 11, m. 12, n.10+1, o, 10+3

No	Name of family members	sex	age	Education level

- 12) Marital status, Single-----,Married-----, Divorced-----, Widowed-----

13) Occupation, Government-----,Ngo-----,Cooperative-----,Self employee---- ,Farming-----, Daily Laborer----- , Others-----

14) Wealth

a. Land-----

b. Grains in Quintal-----

c. Kyat farm in ha (rain based-----, Irrigated -----)

d. coffee farm in ha (rain based-----, Irrigated -----)

e. Livestock, Cattle (Cows, Local----, improved breed-----), Sheep-----, Goat----

f. Honey in Kg-----

g. No of rooms-----

h. Gold----

i. Others specify-----

15. Family size

S.N	AGE	No of Families
1.	Dependent (<15 years)	
2.	Adult (15-65 years)	
3.	Dependent (> 65 years)	
	Total	

16. Religion, Christian -----, Muslim-----, Others-----

III. Membership in cooperative and services

17. How long you are a member in the cooperative? < 1year---, 1-2 year---, >3year---

18. How much money did you contribute to the cooperative-----?

19. Is the input supply?

- a, Very Adequate----- b, Adequate ----- c, Inadequate-----
d. Very inadequate

20. How are marketing information services about price and demand?

- a, Existing----- b, not existing----- c, Others specify-----

21. How is supply provided?

- a, Adequate----- b, Inadequate-----
c, others specify-----

22. How is improved seeds supply?

- a, Very Adequate----- b. Adequate c, Inadequate----- d. Very inadequate
c, others specify-----

23. How is farm equipment supply?

- a, Very Adequate----- b. Adequate c. Inadequate----- d. Very inadequate
c, others specify-----

24. How is coffee production and processing equipment supply?

- a, Very Adequate----- b. Adequate c. Inadequate----- d. Very inadequate
c, Others specify-----

25. If any other services provided by the cooperative please specify-----

26. How much birr did you get from your cooperative as a credit? -----

27. How many times did you get credit from your cooperative? -----

28. Does the cooperative provide you training ? Yes/No in the area of,

Coffee product quality-----

Coffee product marketing-----

Saving habit-----

Proper utilization of credit-----

Market based production-----

Others-----

29. How is market accessible for the coffee product?

a. Very good access (3)

b. Some access (2)

c. No access (1)

30. Does the cooperative provide market information? Yes/NO, if yes type of market information supplied-----

31. Does the cooperative union processing coffee product? Yes / No, if Yes what type of processing?

32. Does the cooperative buy coffee product from you? Yes/ No

33. How much coffee product did you sell to the cooperative in 2004 E.C? -----kg, at what price? _____

34. At what term of payment did you sell your coffee product the cooperative? On hand/credit sale

35. Did you receive dividend in 2004 E.C, Yes/ No if yes how much----? If no, why--?

IV. Major Constraints Faced in coffee farming

36. What are the constraints which you perceive with respect to coffee marketing through your cooperative?

S.N Constraints	Most important	Important	Less important
I Quality marketing service	(3)	(2)	(1)
1. Lack of genuine scaling			
2. Not availability of quality marketing service			
3. Inadequate technical advice on coffee product quality			
4. Distance of coffee market from the farmer			
5. Lack of awareness about coffee marketing			
6. Lack of finance to produce quality coffee product			
7. Poor care of quality product			
8. Price fluctuation			
9. High transportation cost			
10. Other specify			
II Improved seeds	(3)	(2)	(1)
1. Lack of awareness about advantages of new improve seeds			
2. In adequate pesticide supply facilities			
3. Low resistance of the improved seeds to disease			
4. High cost of consultancy for improved seed			
5. Negative attitude towards improved seed			
6. Inadequate access to credit			
7. Inadequate knowledge in improved breed			
9. Inadequate pest protection service			
10. Negative influence of the friends and relatives			

V. Cooperative Leadership

37. How effective is the cooperative union leadership?

- a. Very effective (4) b. Effective (3) c. Weak (2) d. Very weak (1),

Why-----

38. How are leaders elected?

a. Members vote -----

b. Consensus by all members-----

c. Other means specify -----

39. How responsive is the cooperative leadership? Responsible/irresponsible

40. How transparent and accountable are the board members?

a. Very transparent and accountable (3)

b. Satisfactorily transparent and accountable (2)

c. No transparency and/or accountability (1)

41. What is the trend of dropout members?

a. Decreasing----- b. Increasing-----

c. Constant-----

Explain the reason-----

42. How do you rate infrastructure development and availability?

S.N	Availability	Adequate	Somewhat adequate	Not adequate
1.	Availability of credit			
2.	Availability of technology (Telecommunication)			
3.	Availability of road			

43. How is the member's participation in coffee cooperative?

S .N Nature of participation	Regularly (3)	Occasionally(2)	Rarely (1)
1. Attending the meetings of coffee marketing cooperative			
2. Attending the planning activities of the coop			
3. Attending in the implementation of activities of the coop			
4. Attending fund raising activities of the coop			
5. Decision making of the coffee coop			

44. How is sense of ownership among members?

a) Very high b) High c) Average d) No sense of owner ship

45. Knowledge of members in coffee marketing?

S.N Activities	Right (1)	Wrong(0)
1. Which is the important factor that increases coffee marketing?		
2. Which type of your product has high demand?		
3. Name one technique to increase demand for your products?		
4. What is the advantage of being a member of coffee marketing cooperative?		
5. What should be government's important role to support coffee marketing?		
6. Where do you get credit access for coffee marketing?		
7. Do you think improvement of roads and transport will improve market access?		
8. Name one processing technique of coffee processing?		
9. Is there any seasonal variation in demand for your products?		
10. How do you overcome the variation of demand?		

46. Do you have contact with extension agency related to coffee marketing? Yes/No, If yes...

S.N	Name of extension agency	Frequent contact(3)	Occasional contact(2)	Very limited contact (1)
1.				
2.				
3.				
4.				
5.				

VI. Members Satisfaction

47. How is member's satisfaction?

a) Highly satisfied, (3) b) Satisfied, (2), c) Unsatisfied, (1)

48. How is member's satisfaction regarding input supply, market information, training service, farm equipment, coffee equipment, output marketing, credit supply and dividend?

a) Highly satisfied, (3) b) Satisfied, (2), c) Unsatisfied, (1)

49. What are your suggestions to improve the coffee productivity and marketing capabilities of coffee marketing cooperatives?

S.N	Suggestions	Most important	Important	Less important
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				

APPENDIX 8: OF CHECK LIST FOR FOCUS GROUP DISCUSSION WITH OFFICIALS:

1. How old is your cooperative union? -----
2. How many members does the cooperative have? -----
 - a. at the time of establishment-----
 - b. at present-----
3. How many members left the cooperative in the last one year? -----
4. How do you evaluate the coffee product marketing?
5. What constraints do you face with respect to quality input and coffee genetic improvement?
6. What are the advantages to the cooperative members? Do you think being a member of a cooperative is more advantageous than being on your own please explained why?
7. How good is accessibility to input supply such as credit, quality seed, pesticides and infrastructure (Roads, storage facilities processing plant)?
8. How is the working system of the board regarding transparency, accountability, and responsiveness?
9. What is the knowledge of members about cooperatives?
10. Do you perceive that the coffee marketing cooperative has adequate infrastructure?
12. What are the constraints regarding the coffee product marketing?
13. What are your suggestions for improving the productivity and marketing capabilities of coffee marketing?
14. If any more not explain.