

Agricultural Cooperatives, Opportunities and Challenges, the Case of Bench Maji Zone, Ethiopia

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Abstract

The establishment of agricultural cooperative in Ethiopia is significantly associated with and responsible to overcome the problems that individual farmer could not solve solely. The cooperatives were thus permitted to exchange their members' product, improve market access and directly provide their produce to the market through improving the bargaining power of farmer members. Ethiopian Government has also made efforts for cooperatives development that can be taken as opportunities. However, studies show that the growth of cooperatives in different parts of the country is not up to the expectation. Therefore, this study was conducted with the objective of assessing the opportunities and challenges for agricultural cooperatives growth in Bench Maji Zone, South West Ethiopia. In order to conduct the study, 18 agricultural cooperative were selected based on the age of establishment. Primary data were collected from the members of sampled cooperatives and supported by secondary data. The data were analyzed using both qualitative and quantitative techniques. The findings of the study revealed that there are ample opportunities for the growth of the cooperatives like the legal framework; support of the cooperative union; positive members' attitude towards cooperatives; women involvement in leadership. However, agricultural cooperatives in the study area faced many challenges including lack of sense of ownership and low follow up and control system; lack of commitment, members little awareness about cooperatives, low participation of members in their cooperatives, mistrust; failure of management committee to serve the members' interest; management committees' little knowledge about cooperative proclamations, rules and by laws, limited training access; limited professional support and follow up to cooperatives; failure to adapt the experience of other model cooperatives; little effort to promote cooperative policies, strategies, proclamations, rules and regulations, lack of commitment to find out the problems of cooperatives and fill the gap; fail to organize and provide adequate, quality and timely information on cooperatives and high employee turnover at zone and woreda levels. The above challenges may be easy if educated cooperative professionals were invited to lead the sector. Training to office bearers and education to the members pertaining to their specific needs is another important aspect for the growth of any cooperatives.

Introduction

Background of the Study

According to the international cooperative alliance (ICA, 1995) "A cooperative is defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise".

Cooperative form of business is an instrument of change with the task of making the poor productive. The inter-dependence and the mutual help among human beings is the basis of social life. It is the lesson of universal social history that man cannot live by himself and for him alone. The spirit of association is essential to human progress. Since the beginning of human history, individuals found advantage in working together and helping one another; first in foraging, then in hunting, later in agriculture and still in various manufactures (Krishna and Kulandaiswamy, 2000). Cooperative offers economic, social and educational benefits both to its members and the societies at large. This is because the main objective of cooperation is improving the members' condition in such a way that make their social life richer and happier (Hajla, 2000).

In Ethiopia the origin of modern cooperatives traced back to the 1960s with the promulgation of farm workers' cooperative society decree No. 44/1960 of the imperial regime which paved the way for the establishment of cooperatives. The declaration recognized cooperative as key actor for the overall development of the country (MoARD, 2002).

During the military regime, the government opted socialist economy that gave a wider scope for the emergence of cooperatives. Those cooperative institutions had one of the requirements of the socio-economic system which were included in various policies of the government. During the regime peasant associations were given legality by the proclamation No. 71/1975. In this proclamation, the objectives, powers and duties of peasant associations, service cooperatives and agricultural producer cooperatives were clearly stated. They were also established virtually in government fait and in process of the socialization of agriculture. Thus, they were used as prime instruments in channeling directives and implementing new socialists' policies (PMGE, 1978). To support the policy as Wegenie (1989) indicated cooperatives received preferential treatment in the supply of agricultural inputs and also enjoyed lower land tax and disproportionate support from the then Ministry of Agricultural Extension (MoAE) and Cooperatives.

Following the overthrow of the military government in 1991, the context of development strategies and policies have been changed. After the coming of Ethiopian People's Revolutionary Democratic Forces (EPRDF) led transitional government, a transition was made from centrally planned to a market-oriented economic system. Unlike the development policy of the socialist regime, the EPRDF government is said to have created an opportunity to improve the socio-economic and political environment through the process of democratization, decentralization, privatization and market liberalization.

In 1994, the government issued proclamation No. 85/1994 with the objective of restructuring agricultural cooperatives to enhance the development of the national economy. The proclamation was generally characterized by the principles of cooperation such as voluntary formation, business orientation and democratic membership control. However, the proclamation dealt only with agricultural cooperatives by neglecting the societies in other sectors. Consequently, proclamation No. 85/1994 was replaced by a more comprehensive and multispectral cooperatives promotion proclamation No. 147/1998. After this proclamation, a number of agricultural cooperatives have been established in the country.

The establishment of agricultural cooperative in Ethiopia is significantly associated with and responsible to overcome the problems that individual farmer could not solve solely. The cooperatives were thus permitted to exchange their members' product, improve market access and directly provide their produce to the market through improving the bargaining power of farmer members. Agricultural Cooperatives were established in Bench Maji Zone with a vision of making small holder farmer members economically to be self sufficient and food secured through an efficient and effective business oriented cooperatives. The establishment of such cooperatives is basically to improve the bargaining power of farmer members, procure products and services at a lower cost, improving market access, increase the income of members through value added products. Cognizant of the above background, this study intended to assess opportunities and challenges for the growth of agricultural Cooperatives in Bench Maji Zone.

Ethiopian economic growth strategy formally set forth in 1995, as the Agricultural Development Led Industrialization (ADLI) gives significant emphasis on agriculture and rural development as an engine of growth (FDRE, 2005 and 2007). This strategy is one mechanism of poverty reduction which includes the Sustainable Development and Poverty Reduction Program (SDPRP) approved in 2002 and 2004. Both Food Security Strategy (FSS) and the 2006 plan for Accelerated and Sustained Development to End Poverty (PASDEP) more recently the Growth Transformational Plan (GTP) (FDRE, 2012). To implement this strategy, cooperatives are one of the vital actors that the government has assigned agricultural cooperatives with the responsibility of improving small holder farmers' productivity and commercialization.

Dessaiegn (1992) revealed that only a few weeks after the Ethiopian government announced the mixed economic policy, the majority of cooperatives were dissolved by their own members. Of course, the rapid expansion of cooperatives, without adequate preparations and full consideration of their basic principles and potential for economic viability led to many problems and failures (Hussi; et al, 1993).

Following the collapse of socialism in Ethiopia, many people distrusted cooperative societies. They considered cooperatives as manifestation of socialism. As a result of this, the cooperative movement was among those bearing the scars from wounds inflicted in earlier times. They were perceived as communist institutions that had no place in the free market economy and their members had lost faith in the cooperative idea which had been discredited by the former governments. However, regardless of this sentiment, cooperatives could facilitate the development process, if organized with consent and full acceptance of those who would benefit from the effort. Thus, to enable cooperative societies actively participate in the free market economic system, the FDRE provided the cooperative societies proclamation No. 147/1998 that stipulates the establishment of cooperatives shall be on the basis of the fundamental cooperative principles.

The enactment of the proclamation No. 147/1998 facilitated the establishment of a number of cooperatives among which agricultural cooperatives are in the front line. Some of the salient problems that initiated the establishments were weak organizational structure and lack of capacity to address the needs of their members. According to Hussi; et al (1993), in many cases cooperatives were vehicles for political patronage and nepotism, and were subjected to capture by local elites. Even with the cooperative movements; there was support for a directive and coercive roles on government vis-à-vis cooperatives in developing countries (ICA, 1966). Thus, coupled with the fact that production which takes place in remote areas characterized by poor infrastructure, and low standard of living and education levels has exacerbated the problem (Milford, 2004).

Agricultural cooperatives were, therefore considered as a cure to relieve the bottlenecks on the Ethiopian farmer producers. The government and NGOs have facilitated direct technical and financial assistances to help cooperatives to farmer-owned, controlled, and profitable and governed in a democratic manner.

However, the movement towards the production and marketing of agricultural products to the market has a recent phenomenon. Thus, it seems that few attempts have been made to assess the opportunities available and to examine the challenges encountered by agricultural cooperatives. Furthermore; there is little research that

has been done so far particularly relating on agricultural cooperatives.

Therefore, it is worth mentioning that a closer examination of the challenges and opportunities of agricultural cooperatives growth would be a paramount importance in taking preventive actions and corrective measures, and exploit the existing opportunities.

Objectives of the Study

General Objective

The overall objective of this study is to assess opportunities and challenges for the growth of agricultural cooperatives in Bench Maji Zone.

Specific Objectives

The specific objectives are:

To identify the bottlenecks those hamper the growth of Agricultural Cooperatives in Bench Maji zone

To assess the opportunities for Agricultural Cooperatives growth in Bench Maji zone

To investigate the existing potential for agricultural cooperatives growth in the study area

Significance of the Study

The study is hopefully expected to become a stepping stone for others who would like to conduct further research pertaining to the topic in other areas. More eminently, it would be useful to elucidate the challenges of farmer cooperatives by taking the study area into consideration. Furthermore, the study would serve as an input to policy makers on how to elude the constraints and identify opportunities of the agricultural cooperatives in Bench Maji Zone. Finally, the recommendation emanated from the finding of the study could provide a life giving approach to policy formulation of cooperatives in general and agricultural cooperatives in particular.

Scope of the Study

The study was delimited to examine the challenges and opportunities of agricultural cooperatives growth. The research particularly devoted to give strong emphasis in assessing the challenges and opportunities for the growth of agricultural cooperatives in meeting their objectives.

Research Methodology

Sampling Technique

The research was conducted in Bench Maji Zone. Bench Maji Zone is selected purposively, because of the availability of required data in agricultural cooperatives for the study.

Sample Frame

The study focused on agricultural cooperatives. In the study area there are a total of 134 agricultural cooperatives. From the total agricultural cooperatives found in the Zone, 18 cooperatives having a life span of 8 years and above from their time of establishment were selected as sample frame of the study, because considering longer life span cooperatives as a sample frame enables to examine pertinently challenges and opportunities of agricultural cooperatives growth.

Sample selection of the study

In order to conduct the study in a representative way that increases its reliability and validity, a two staged random sampling technique was employed in selecting the samples.

In the first stage, from the total sample frame, 134 primary agricultural cooperatives, 18 cooperatives of the sample frame were selected based on year of establishment.

In the second stage, because of huge financial outlay and more time requirements, taking all the members of 18 agricultural cooperative is impossible and also unmanageable. To elucidate this, sample size of the study was determined by using Kothari (2004) sampling design formula.

$$n = \frac{z^2 p q N}{e^2 (N-1) + z^2 p q}$$

Where:

n= sample size=135

N=total population (4413)

Z=95%confidence interval under normal curve (1.96)

e= acceptable error term (0.05) and

Therefore, for this study, 135 samples were taken. Finally, sample respondents were selected using proportionate

simple random sampling method.

Data Types, Source and Methods of collection

Data were collected from both primary and secondary sources. Primary and secondary data were collected to answer the objectives of the study. Semi-structured interview schedule was used to collect primary data from sample respondents. For the sake of triangulating, data were collected from management committee members of sample cooperatives by conducting focus group discussions (FGD), 8 FGDs were conducted with management committee members of sample cooperatives. Moreover, key informants interview (KII) was employed with woreda and zonal cooperative promoters through interview guide check list. Pre-testing of semi-structured interview schedule was done before formal data collection. To make the communication easier during collection of data from the respondents, semi-structured interview schedule was translated into Amharic. 3 enumerators were recruited and trained about the techniques of data collection; and pre-testing of semi-structured interview schedule. Continuous supervision was made by the researchers during data collection for maintaining the validity and reliability of the data. Secondary data were collected from sample cooperatives records. Moreover, data were collected from woreda and zonal cooperative promotion offices.

Method of Data Analysis

Both qualitative and quantitative techniques of data analysis were used to describe and analyze the research questions. The data collected from household survey were organized, coded and entered in to statistical package for Social Sciences (SPSS) Version 16. And, descriptive statistics such as frequency, percentages, graphs and tabular ways of data presentation were used and then the figures were analyzed and interpreted.

On the other hand, data gathered from interview, and focus group discussions were first categorized thematically, and written up in to narrative, then it was followed by analysis and interpretation.

Responses on Challenges of Agricultural Cooperatives

S.No	Challenges	Level of suffer /Degree of challenge				
		More challenging	challenging	Less challenging	Not challenging	Not Sure
1	Internal challenges of sample agricultural cooperatives					
1.1	Low awareness background of members	105(77.78%)	13(9.62%)	8(5.92)	7(5.18%)	2(1.48%)
1.2	Limited capacity of management committee	115(85.19)	10(7.41%)	5(3.70%)	2(1.48%)	3(2.22%)
1.3	Inadequate internal capital	135(100%)	-	-	-	-
1.4	Low participation of members in business	78(57.78)	27(20%)	15(11.11%)	-	-
1.5	Lack of transparency and accountability	58(42.96%)	47(34.81%)	25 (18.52%)	18(13.33%)	15(11.11%)
1.6	Failure to notify annual meeting	56(41.48)	43(31.85%)	26(19.25%)	6(4.44%)	4(2.96%)
1.7	Lack of Knowledge about duties and responsibility's	66(48.88%)	-	33(24.44)	22(16.31%)	14(10.37)
1.8	Lack of Equal opportunity in decisions	18(13.33%)	73(54.07%)	45(33.33%)	20(14.81%)	1 (0.74%)
1.9	Limitation to exercise their rights	59(47.71%)	26(19.25%)	1(0.74%)	38(28.14%)	26(19.25%)
2	External challenges of sample agricultural cooperatives					
2.1	Unhealthy Competition from Private Traders	95(85.19)	10(7.41%)	15(11.11 %)	3(%)	2(2.22%)
2.2	Negative attitude of non members	98(72.59%)	27(20%)	11(8.14%)	-	-

Source: Computed from the field survey data, 2015

There are various challenges which slow down cooperative growth. For simplicity of analysis, challenges of the sampled agricultural cooperatives are discussed below by classifying them into two broad categories.

Internal Challenges

As far as internal challenges of cooperatives are concerned, it is related with management committee, general assembly and cooperatives' employees, physical and financial properties, the system and procedures also constitute the initial or organizational part of the cooperatives. Therefore, limitation in the capacity of

management committee, initial capital, members participation in management of cooperatives, transparency and accountability of the management committee and management, awareness on duties and responsibilities, member involving in general meeting are used as indicators to measure the internal challenges of the cooperatives.

Limitation on the Capacity of Management Committee

The organizational structure of cooperatives is made up of three tiers: General Assembly, management committee and employees. Each structure has explicitly specific duties and responsibilities stated in the by-law of the cooperatives. The management committee is delegated by the general assembly which is responsible for managing operating policies and supervising of cooperative business performances. To identify the extent of capacity of management committee a question was raised. Accordingly, 38.1% of the respondents responded that their cooperatives were highly suffered because of limited capacity of management, 22.7% of the respondents responded that their cooperatives were importantly suffered because of limited capacity of management, 19.6% less suffered and 16.5% and 3.1% responded as not suffered and not sure respectively.

Inadequate internal capital

Adequate capital is one of the fundamental requisites for the sound cooperatives business operation. From the stand point of ownership, there are two kinds of capital equity and debt capital. Equity capital is provided by the members'; owners of the business. In the balance sheet it is referred to as the net worth. It is the equity that the owners have in the business which left when the total liabilities are subtracted from the total assets. Ideally the members of cooperatives should provide the capital to finances its operations. Since the cooperative exists to deliver benefits to its members, each member should contribute to capital in direct proportion to usage of services the cooperative provides. To identify the adequacy of internal capital the researchers asked respondents and the response given as a result 89.69% were responding as challenging, 17.5% as challenging, 15.5% as less challenging and 8.2% and 3.1% as not challenging and not sure respectively.

Embezzlement /Misappropriation

As it is known, embezzlement is taking money or property for personal use that has been given on trust by others without their knowledge or permission. Contrary to this value of cooperatives, agricultural cooperatives in the study area remain a victim of this type of malpractices.

Lack of Equal Opportunities in Passing Decisions

According to ICA (1996), cooperatives are democratic organizations controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner. To assess whether members have equal opportunities of passing decisions, the researchers evoked a question to respondents, hence, they forward 66% as most challenging, 10% challenging, 7.7% less challenging and 15.5% and 1% not challenging and not sure respectively.

External Challenges

The external environment is beyond the control of cooperatives members as well as the management committee.

Unhealthy Competition from Private Traders

To investigate this, the researchers raised a question as a result, 38.19% are highly affected by the existences of competitors, and 27.8% affected 10.3% less affected and 11.3% are not affected. Consequently, cooperatives were unable to involve in marketing of agricultural product due to the high existences of competitors that reduces its marketing activities.

Low awareness and Negative attitude of non members

The awareness of the non- members is very low. Awareness about membership rights and duties and by-laws of the cooperatives increases cooperative membership. 72.59% of the respondents responded that their cooperatives were highly suffered because of Low awareness and Negative attitude of non members, 20% of the respondents responded that their cooperatives were importantly suffered because of Low awareness and negative attitude of non members, 8.14% % responded as less suffered.

Findings From Focus Group Discussion (FGDs) and information from key informants

This section summarizes the discussion of focus group discussions and key informants. It is summarized under two major headings: opportunities and challenges for the growth of agricultural cooperatives in the study area.

Opportunities for the growth of agricultural cooperatives in the study area

The Legal Framework:

The existence of clear governmental policy and supportive legal framework are essential pre requisites in creating conducive environment for cooperatives growth and to facilitate the development of sustainable, efficient and effective rural organizations.

A true policy environment that is supportive and responsive to the interest of rural constituencies, including the poor, is paramount importance. It is, therefore, possible to state conducive policies and appropriate legal framework as one of the opportunities for the proliferation of agricultural cooperatives. In this regard, long

after the 1991 political reorientation in Ethiopia, cooperative society's proclamation 147/ 1998 has been formulated. The proclamation includes, among other, the basic International Cooperative Alliance principles of cooperatives. It is believed that the proclamation is a comprehensive and relatively democratic to potentially address the needs and aspirations of members of the cooperative society in Ethiopia. Aware of the above justification and the underlying rationales of the legal framework for cooperative growth the researchers found the following opportunities provided to cooperatives as responded by the respondents.

Cooperative experts and the NGO representatives working on cooperatives indicated that the legal framework is workable and somehow conducive. The respondents further revealed that the disparity lies between the defective legal framework of the Derg with aggressive government authorities to channel the socialist ideology provisions versus the relatively conducive legal provisions with inefficient government officials and cooperative leaders at different level of the cooperative bureaucracy. Therefore, it should be taken into consideration that appropriate legal provisions such as the proclamation and by-laws are necessary but not sufficient conditions for the growth of efficient cooperative; inappropriate legal framework is not solely responsible for unsatisfactory cooperative growth.

However, some respondents believed that there are still gaps in fulfilling all the privileges given in the proclamation No. 147/98, which state that the government providing enough support to cooperative form of business like acquiring land, getting credit through the collateral of the government and getting audit services free of charge once in a year are not in a way that can fulfill the demand of their cooperatives. Further, according to woreda level marketing and cooperative promoters' opinion, cooperatives began to receive consistent and effective technical and administrative support after the establishment of independent marketing and cooperatives promotion office; however their support could not go longer in a sustainable way to these cooperative societies. To conclude, the legal framework creates opportunities for the cooperatives in the study area in a better manner than the previous governments. However, still there are gaps in realizing the legal framework taking the unique nature of these societies. The gap emanates both from inefficient government officials and cooperative leaders at different level of the cooperative bureaucracy and the impractical of the government promise that expected to provide a special privilege to these cooperatives. Therefore, the researchers concluded that in order to establish a cooperatives society in a sustainable manner, these gaps that bottlenecked the legislation of the government should be averted.

Support of the Cooperative Union

The member farmers are aware how to take care of the quality of coffee: partly due to the training given by Bench Maji Forest Coffee Producer farmers' Cooperative Union, the farmer members are aware of how to keep the quality of the coffee they are producing. This is another opportunity for the growth of cooperatives in the study area.

Due to support of the union in terms of marketing, training and education, collecting the input demand of each farmer member through one to ten groups of the members' net working, members become aware about the benefits of saving, how to use inputs and planning.

Positive Members' attitude towards cooperatives

Almost all member farmers in Kosokol, Mehal sheko and Aman agricultural cooperatives are selling their coffee through the cooperatives. The other opportunity is that most of the farmers sell products to cooperatives. If this is the case, business transaction of the cooperatives increases and growth of the cooperatives is ensured.

The member farmer in Kosokol, Mehal sheko and Aman agricultural cooperatives attitude towards their cooperatives is positive: most of the members have positive attitude towards their cooperative because their living standard is improved after becoming members in the cooperatives. They also constructed house, they sell their produce at good price, and they have solar power at their home which is provided through cooperative. They get training and education regarding coffee production and other major crops. They get dividend after the product is sold through cooperatives.

Women involvement in leadership

Women involvement in leadership: in some cooperatives women are engaged in leadership position. This empowers women both economically and socially. This in turn attracts other women to the cooperatives. This is particularly true in Aman Multipurpose agricultural cooperative.

Challenges for the growth of Agricultural cooperatives in the study area

Despite of the above opportunities and potential, there are challenges for the growth of agricultural cooperatives in the zone. Challenges/bottle necks of Agricultural cooperatives in the study area are categorized in to the following way:

From the perspective of Cooperatives societies' Members

Lack of Sense of Ownership

Unlike other business organizations, cooperatives are controlled, managed and owned by the users. To solve the commonly felt problems, members should first feel sense of ownership and develop economic interest on their organizations. An increase in sense of ownership will increase the cooperative growth through effective

management, participating in meetings and related activities. But as to focus group discussion and key informants interview result the members lack sense of ownership /have no sense of ownership which is challenging for cooperative growth.

Weak Culture of Working Together Through Mobilizing their Resources

There is a saying which confirms the above: “Ethiopians have the culture of eating together”. However, this culture is not observed at commitment to work. In these days, government is encouraging rural people to organize themselves under agricultural cooperatives in order to achieve a better result through collective effort. But for people who have no habit of working together by mobilizing their resources collectively to achieve a better result, it is difficult to exert their maximum effort for the success of their cooperatives. Most of the time people wish to enjoy benefits at the expense of few hard worker individuals. Most of the agricultural cooperative members do not participate in the day to day affairs of cooperatives regularly and also they do not avail themselves on meetings. This is confirmed by the Personnel of marketing and Cooperative Promotion Office who consults agricultural cooperatives. He said that, usually only few individuals are convinced on the idea of working together and exert their maximum effort for the success of their cooperatives.

The researchers visited the working place of a cooperative engaged in multipurpose activities to assess whether members avail themselves in the day to day affairs of their cooperative or not .Unfortunately most of the members were not in the place because they gave priority for their private tasks.

Lack of Commitment of Members in their Cooperatives

The basic tool for the success of any kind of business is strong commitment of its members to serve their business honestly. Like other business institutions agricultural cooperatives success is determined by its members’ loyalty in their organizations. But when we observe the history of cooperative movement in Ethiopia there is a big shadow which was observed during the military regime regarding to loyalty. At that time most of the members joined cooperatives without their interest through government enforcement. Due to that most of the members were not benefited from their cooperatives. As a result of this bad history, currently members also feel that the assets of their cooperatives are corrupted by few members.

Respondents during the focus group discussion said that they became simply members of cooperatives to get fertilizer and they did not expect other benefits from their cooperatives, because at the end of the financial period there was no surplus which is distributed to members.

Little awareness about cooperatives

In cooperatives, it is expected that all members, management committee and paid managements must be aware about concept of cooperatives, benefits of cooperatives, cooperative proclamation No. 147/98, cooperative management, membership rights and duties, and by-laws of the cooperatives. When the awareness level of members is high, it is believed that there will be good management and cooperative growth. Respondents during the focus group discussion said that members have little awareness on concept of cooperatives, benefits of cooperatives, cooperative proclamation No. 147/98, cooperative management, membership rights and duties, and by-laws of the cooperatives, knowledge about cooperatives concepts, values and principles is little

Low participation of members in their cooperative’ business transactions

According to Federal cooperative Agency (2008), the democratic control will be effective only when there is active participation of members. The active participation of member – patrons in the control and management is very essential for efficient functioning of cooperatives. Members actual participation in the control of cooperatives include attending and participating in membership meetings, taking part in voting, contesting in election, serving in one or more committees, careful study of the reports presented, extending continuous support and showing genuine interest in the affairs of cooperatives. The Focus group discussion and key informants interview result contradict with the survey result; as they responded members’ participation in business was very low.

Members are not actively participating in the general assembly meetings

Through legitimate representatives, involvement of member cooperative societies in annual and emergency general assembly meeting of the cooperatives for performing different activities of the cooperatives. General assembly means a meeting of members of cooperatives. The supreme organ of any society shall be the general assembly (article 20 of proclamation No 147/1998). The general assembly of a society shall pass decisions after evaluating the activities of the society; approve and amend the by-law and internal regulations of the society; elect and dismiss the members of management committee, control committee and when necessary the members of other sub committees; 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 divided in pursuance of this proclamation; approve the annual work plan and budget; and decide any issue submitted by the management committee and other committees.

The FGD and KIs were confirmed that the majority of the members did not have participated in the meeting; there was a gap between members to participate in general assembly meetings. The reasons for their

absence were lack of information about the time of meetings, work burden, transportation problem.

4.6.2.1.7. Lack of trust

Trust is the member's confidence or faith towards the cooperatives, management committee, and employees. It was assumed as if members have confidence/ faith towards the above; they will participate in business practices of the cooperatives. The survey result indicates that the majority of the respondents have no trust towards the board of directors and the employees. There were members who have no trust towards the management body, and employees. They expect the exaggerated benefit from their products. Members see their cooperatives as profit making organizations. There were also management bodies that have no trust towards the members in terms of product provision and loan repayment.

Members sell their products to private merchants

Most members sell their products to private traders to solve their immediate problem. Some farmers also have a belief of delivering exclusively to the cooperatives seems to suffer from shortage of money with a relative lower price.

Inaccessibility to credit and slow response to the credit request

Adequate capital is one of the fundamental requisites for the sound business operation of cooperatives business. From the stand point of ownership, there are two kinds of capital: equity and debt capital. Equity capital is provided by the members' owners of the business. In the balance sheet it is referred to as the net worth. It is the equity that the owners have in the business the Birr left when the total liabilities are subtracted from the total assets. Ideally the members of cooperatives should provide the capital to finances its operations. Since the cooperatives exist to deliver benefits to its members, each member should contribute to capital in direct proportion to usage of services the cooperative provides.

From the perspective of Cooperatives societies' Management committee

Fail to serve the members' interest:

In its very principle, any cooperative society is formed to serve the common interest of the members forming it. The society which is not serving the interest of its members cannot continue functional because the members' participation is mandatory for its survival. But if the interest of the members is not served, members will not actively participate in the activities of that society. Of course their failure to serve the members' interest is linked with the following reasons:

Little knowledge about cooperative proclamations, rules and bylaws: some committee members said that they have little knowledge cooperative proclamations, rules and by laws. Hence, they fail to discharge the responsibilities entrusted to them in the by-laws.

Limited training opportunities: even if it is the duty of the cooperative promotion office, being with other concerned bodies, to capacitate the management bodies of the cooperatives, majority of the participants in this focus group discussion reported that they get capacity building training rarely. Hence, the management committee members have weak management capacity. As a result they fail to evaluate the performance of their society and take corrective actions.

Lack of professional skilled manpower:

In the study area, the societies are managed by committees having no cooperative background. Whereas, in principle, cooperatives have unique features for which professionals having cooperative background are needed to handle technical aspects of the society. Failure to report timely and reluctant to conduct general body meeting is another worst scenario emanated from lack of qualified leader.

Long Distance to be travelled

Some management committee members are not able to come to the office on time because they have to travel long distance from their home to their cooperative office. For example, in Kosokol agricultural cooperative society some management committee members have to travel about four hours from their home to the office. The area of operation of this particular society covers five kebeles.

Lack of Leadership skills

Cooperatives need leadership skills to conduct their day to day tasks in an effective manner. Leadership includes the competence to influence, inspire, unite, direct, encourage, motivate, induce, move, mobilize, and activate others to pursue a common goal or purpose while maintaining commitment, momentum, confidence and courage. Most of the cooperatives were in great problem because of lack of skilled manpower to lead their day to day activities. From the interview with one of the key informants, the marketing and Cooperative promotion office personnel, it was understood that most of the agricultural cooperatives in the study area were led by individuals who had no leadership skills. The committee members who participate in the day to day affairs of cooperatives were elected without taking into consideration their ability to organize the staff, coordinate and lead members towards their common goals. They were simply elected by the members through their position in the village. According to the cooperative bureau personnel, members try to abstain themselves from being leaders because the position requires devotion and demands the leader to spend a lot of time at risk. In addition to this, it leads to conflict with members because of failure to fulfill their responsibilities. Furthermore, since most of the members

had another job they do not want to be a leader because the position itself require much time to spend as a result of this the growth of the agricultural cooperatives is highly influenced. In order to achieve a good result out of the day to day activities of agricultural cooperatives, the leaders should devote themselves. But in the study area leaders have no ability to do this as a result of many factors such as work load, lack of leadership skills and fear of risk in relation to loss.

As a result of the above mentioned challenges, the success of agricultural cooperatives in the study area was not satisfactory. Most of the cooperatives did not register surplus at the end of their financial period i.e. out of their annual business activities due to lack of skilled manpower to lead the cooperatives in a proper manner

Embezzlement

Focus group discussion participants explained strongly the embezzlement of the cooperative assets was the main case of the existing members' lack of sense of ownership and new members frustrate to join the cooperatives.

From the perspective of Marketing Promotion and Organizing Offices

Limited professional support and follow up

It means, how frequently cooperative promoters follow up the activities of cooperatives so that their effort facilitates the practices of cooperative management.

Zonal and Woreda level marketing and cooperative promotion offices are two of executive organs, which are expected to lend hand for cooperatives development and expansion. The woreda and zonal promotion and organizing offices in the study area are expected to provide supports for cooperatives in order to achieve nationally expected objectives from the sector. But the focus group discussion result showed that woreda and zonal level marketing and cooperative promotion and organizing offices do not continuously support agricultural cooperatives. Woreda and zonal level marketing and cooperative promotion and organizing offices assistance cooperatives in different ways like bringing free land for production, searching market for cooperatives, facilitating training for members and keeping the assets of the cooperatives from corruption and damage is little. From the result one can understand that the support forwarded by the woreda and zonal level marketing and cooperative promotion and organizing offices towards agricultural cooperatives is not enough. They consider organizing cooperatives as final goal. Support from appropriate authority is Limited. There is lack of training for cooperative members, lack of audit service, lack of concern, limited professional support and follow up in areas of product quality issues which is sever in Semen Bench Woreda agricultural cooperatives as resulted of low number of cooperative professional at the zonal and woreda level.

Fail to adapt the experience of other model cooperatives

Woreda and zonal level marketing and cooperative promotion and organizing offices fail to adapt the experience of other model agricultural cooperatives experience by arranging forum or experience sharing for members of agricultural cooperatives is very limited.

Lack of commitment to build good image of cooperatives at different levels

Efforts made by woreda and zonal level marketing and cooperative promotion and organizing offices are not sound enough. According to focus group discussion the participants were saying that woreda and zonal administrators and employees are not in apposition receive questions of cooperatives in any aspect. There are some officials who responded that "what does cooperative mean? Why we give land and store for these people?" Because of such kind of responses members as well as management committee are becoming dissatisfied and are on the way to withdraw from the membership of cooperatives.

Little Effort to Promote Cooperative Policies, Strategies, Proclamations, Rules and Regulations

Much is expected from appropriate authorities in areas of Promoting Cooperative Policies, Strategies, Proclamations, Rules and Regulations to society at large. But both the focus group discussion and key informant interview reported that the role of cooperative promoters and organizers and administrative bodies is limited in the study area. Even they lack sense of belongingness.

Lack of commitment to find out the problems of cooperatives and to fill the gap

Both the focus group discussion and key informants interview responded that agricultural cooperatives are facing problems; members are being withdrawn from membership; some cooperatives are also losing their legality because of dissolution; some cooperatives are also suffering from lack of commitment and sense of ownership but there is no effort made by the concerned bodies to solve problems and fill the gaps there by to facilitate cooperative growth.

Fail to organize and provide adequate, quality and timely information on cooperatives

The other is lack of updated information regarding to the status of cooperatives, problems of cooperatives, need of cooperatives, and aggregate qualified data compiled and keep ready for information users is challenging

High Employee turnover at zone and woreda levels

High Employee turnover at zone and woreda levels is also the major challenge resulting in shortage of professional manpower.

Existing potential for agricultural cooperatives growth in the study area

The area is endowed with organic certified coffee

The potential for coffee production in bench Maji zone is very high as there is suitable altitude, ample rainfall, optimum temperatures, appropriate planting materials and fertile soil. The area is best suitable area for coffee production. It offers high yields and top quality aroma and flavor. Farmers acquire forest land for coffee farms, and then thin and select the forest trees to ensure both adequate sunlight and proper shade for the coffee trees. They slash the weeds once a year to facilitate the coffee bean harvest. Coffee trees are managed by hand and fertilized with organic matter. Pests are controlled in biological, natural method. Most of agricultural cooperatives have got organic certified coffee certificate. Their product is exported to the European, Japanese and American markets through Bench Maji forest coffee producer farmers' cooperative union.

Large Size of operational area:

Most of agricultural cooperatives have large area which helps to collect large product to be marketed internationally. Although such signs of success are there, greater efforts should still be made to organize, promote and develop cooperatives in the country through increasing members' commitments. Based on the principles of cooperatives, agricultural cooperatives are expected to genuinely perform their marketing activities and provide adequate services to their members.

Availability of quality honey product in the operational area getting recognition for the same

As to focus group discussion, the wide climatic and edaphic variability have endowed the study area with diverse and unique flowering plant that is highly suitable for sustaining a large number of bee colonies and the long established practice of beekeeping. Honey production is an important source of household income in area. The study area endowed with quality honey product. There is a large demand for honey at international market like American market.

- Rise of honey price annually at national and international markets.
- Availability of government policy which help beekeepers association to improve its position in honey value chain.
- Presence of huge numbers of traditional bee hives in the area.
- High demand of honey by local consumers and traders.

Existence of spices like:

The area has conducive agro ecology which supports the production of variety of **spice** crop like ginger, timiz, especially in Gacheb agricultural cooperative, Spice crops are already widely traded internationally have a high potential for growth of agricultural cooperatives.

Gacheb agricultural cooperative exported Spice crops to international markets especially America and Europe markets. Generally the potential of spice production and marketing is encouraging but unused potential which needs to be utilized. As a cash crop, the spice subsector is amongst the important crops that fit within the strategy of commercialization of agriculture. Spice, being a cash crop, has a high potential of enhancing the purchasing power of the members of agricultural cooperatives in the study area.

Availability of more non-member farmers:

Among the total population of the zone almost less than 12% (15759.8) are member of cooperatives. Education and Training program as a strategy should be designed. To be successful, cooperatives must conduct education and training programs as per the needs of their members, board members and employees. Such programs are useful to improve their awareness about cooperatives and to develop basic skills of business management. In addition ;as per ICAs principles, cooperative societies are required to inform the general public, particularly young people, women and opinion leaders about the nature and benefit of cooperatives thereby they can get opportunities for cooperatives growth.

CONCLUSION AND RECOMMENDATION

Conclusion

The study was conducted with the objective of assessing the challenges and opportunities for agricultural cooperatives growth in Bench Maji Zone, South West Ethiopia. The major findings of the study are summarized and the researchers have forwarded the recommendation as follows.

Findings of the study revealed that the most visible opportunities for agricultural cooperatives growth in bench Maji zone were existence of legal framework, Bench Maji Forest Coffee Producer Cooperative Union Support to agricultural cooperatives by providing training to members, women involvement in leadership, awareness creation by MIZAN-AMAN FANA-FM.RADIO in collaboration with Bench Maji Forest Coffee Producer Farmers' Cooperative Union, trained members' Positive attitude towards cooperatives, large area of operation, organic coffee and honey production potential of the area.

Also findings of the study revealed that agricultural cooperatives in the study area faced many challenges that are internal and external in nature. The internal challenges were seen from the perspective of members and management committee.

Challenges from the perspective of members: the major challenges for cooperative growth from the perspective of members were lack of sense of ownership and their failure to follow up and control their cooperative societies' activities, weak culture of working together through mobilizing their resources, lack of commitment of members in their cooperatives, members little awareness about cooperatives, low participation of members in their cooperatives' business transactions, members are not actively participating in the general assembly meetings, members suspect the management body and the management body also suspects members and some members' intention to sell their products to private merchants.

Challenges of Agricultural Cooperatives from the perspective of management committee were failure of management committee to serve the members' interest; management committees' little knowledge about cooperative proclamations, rules and by laws, limited training opportunities, long distance to be travelled, lack of leadership skills and embezzlement.

From the perspective of appropriate authority at zonal and woreda levels; limited professional support and follow up to cooperatives; they fail to adapt the experience of other model cooperatives; there is lack of commitment to build better image of cooperatives at different levels, there is little effort to promote cooperative policies, strategies, proclamations, rules and regulations, lack of commitment to find out the problems of cooperatives and fill the gap; fail to organize and provide adequate, quality and timely information on cooperatives and high employee turnover at zone and woreda levels.

In addition to the above challenges, agricultural cooperatives growth was constrained by lack of access to credits for business expansion due to high financial requirements by the banks and micro credit institutions, shortage of storage and marketing infrastructures, dormant membership because of limited government guidance and monitoring and low farmer participation in the cooperative activities were also reported to be a major concern.

5.2. Recommendations

Activities to be undertaken to transform agricultural cooperatives in the study area

Despite the law mandating annual auditing, only one quarter of primary cooperatives in Ethiopia were audited in 2013. Without audits, cooperatives have difficulties obtaining financing and cannot be held sufficiently accountable to their members. Furthermore, cooperatives can only legally pay dividends to members after a certified auditor has declared that the group made a net surplus.

The Advanced Cooperative Certification System classifies and certifies cooperatives based on a comprehensive set of criteria. Public certification allows third parties to identify and work with capable cooperatives by providing a clear indication of their performance in several areas. Simultaneously, it provides the opportunity to flag under-performing cooperatives for capacity building and training initiatives. The Federal Cooperatives Agency (FCA) has developed a framework of certification directives and criteria, as well as designing and setting up a structure for certifying bodies at federal and regional levels.

As much as possible, inviting cooperative professionals to lead the sector

Cooperative management, though applies all modern management techniques, has its own special features. Cooperatives have to first follow the principles of cooperation laid down by International Cooperative Alliance, and then they have to go for applying the management process. It has to keep a balance between these two. The proper application of cooperative principle is necessary for the success of the movement, for cooperative principles is those which are essential that is absolutely indispensable to the achievement of cooperatives movements' role. In this regard, professionals working must be those who know the special features of cooperative business.

Training to office bearers and education to the members pertaining to their specific needs

The fifth Principle of cooperatives state that cooperatives must provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. But in most of the agricultural cooperatives in the study area, members and elected representatives are getting training and education seldom. This situation has significant impact on the growth of their cooperatives. Therefore, the concerned bodies have to provide the training to office bearers and education to the members. Educating cooperative members can help encourage them to become more involved and committed to the cooperatives.

In addition in order to overcome non member farmers' awareness problem, cooperatives should facilitate training programs to potential members. The training strategy of the cooperatives should focus on experience sharing in the area of cooperative growth and importance of the cooperatives. Hence more training should be given to stimulate interests and commitment of members and management committee and potential members. In order to increase farmer participation, there is a need to create more campaigns about the benefits of being in the cooperatives. The management of the cooperative and local government officials needs to work together and refocus their efforts towards mobilizing more farmers into the members of the cooperatives thereby to bring cooperative growth.

Embezzlement of cooperative assets creates gradual decrease in the sense of ownership of the existing members and new members were frustrated to join the cooperatives and also some members withdrawn from membership. Therefore the cooperative assets and properties should be protected from misappropriation by way of creating sense of ownership, truthfulness in the minds of members of management committees and employees, and arranging appropriate accounting system, internal financial controlling system and close supervision of the cooperative and provision of timely audit services by appropriate authority as designated in the legislation.

There is a need to create more awareness about the benefits of the agricultural cooperatives to members and target population. Campaigns could be conducted in areas which are considered to have many unregistered members.

In order to increase number of female members, female membership should be encouraged as cooperatives are open to all persons without gender restriction provided they are able to fulfill the membership requirements.

Most of the members of agricultural cooperatives are above the age of 30 in which youth are not more engaged. Therefore, great attention should be given to active age group to motivate them to contribute in every aspect of the cooperatives as a member.

Some degree of members' turnover is inevitable, but successful cooperatives will retain their members. The cooperatives should assure the continuity of existing members through good cooperative management practices and provision of good service for their members.

Members are the lifeblood of any cooperative societies. Agricultural cooperative membership growth brings new equity, financial strength, increases business volume, helps developing economies of scale and improves the performance of the cooperatives. But membership growth trend of sampled agricultural cooperatives was below the established standard. Therefore, propagating the philosophy and benefits of agricultural cooperatives to the general public mainly to the youth helps to bring new heads to the cooperatives and it is very important for the sustainable development of cooperatives.

In the study area Bench Maji forest coffee producer farmers' Cooperative union has arranged media access in collaboration with MIZAN-AMAN FANA-FM.RADIO in the areas of nature of cooperatives, benefits of cooperatives, problems of cooperatives, and achievements of cooperatives as strategies for cooperative growth in bench Maji zone. It was a very remarkable start to motivate new members and implant the issues related to the cooperatives in the minds of the new generation. But as a strategy the role of the union in cooperative growth was insignificant. Therefore, the members of agricultural cooperatives and responsible bodies should support Bench Maji forest coffee producer farmers' Cooperative union to scale up this good practice.

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