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ANALYSIS OF FACTORS DETERMINING MEMBERS' DECISION TO SALE COFFEE THROUGH COFFEE COOPERATIVES IN JIMMA ZONE: THE CASE OF GOMMA AND LIMU KOSA DISTRICTS

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ABSTRACT

Analysis of factors determining members' decision to sale coffee through coffee cooperatives of specific sites Gomma and Limu kosa districts of the Jimma zone were evaluated with the objectives to: identify factors that determine farmers' marketing of coffee through cooperatives, examine the financial performance of coffee cooperatives and study coffee producers' attitudes towards coffee cooperatives. To accomplish these tasks a survey was conducted in the study areas in which data and information were collected from 180 coffee cooperative members' using a structured questionnaire. The liquidity ratio analysis indicated that the coffee cooperatives financial performance in the study areas were satisfactory but low ratio and the profitability of the cooperatives were not as such viable. In order to analyze factors, determine members' decision to sale coffee through coffee cooperatives, Tobit econometric model was used. From the hypothesized 16 explanatory variables, 8 variables (position in the cooperative, coffee produced, farm size, patronage refund, cooperative price for coffee, credit, distance of the cooperatives from the farmer's house and distance of the district market from the farmer's house) were found to be significant and influence the decision to sale coffee through coffee cooperatives. The findings of this study identifies that, improving the management and financial act of the cooperatives helps to cope with areas market competition to purchase coffee from cooperative members', provision of different services which can help coffee producers to supply quality coffee, fair payment of the patronage refund and continuous capacity building to coffee cooperative members' are the priority areas of interferences to advance the performance of the cooperatives in the study area.

KEYWORDS

cooperatives, coffee, determine, market, performance.

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The history of modern cooperation traced to the impact of industrial revolution that brought immense wealth to the capitalists and poverty to unorganized labor. The first man to conceive of an economic association for the benefit of the members was P.C.Plockboy, a Dutchman, living in England (Knapp, 2000). He encouraged agriculturalists, artisans and other professionals to form their own associations to which they were to contribute capital and work. Dr. William King was also another pioneer in the field of cooperatives, stressed on self-help as opposed to patronage from the rich (ICA, 1995).

In Ethiopia, the formation of modern cooperative societies was started soon after the Italian invasion. However, it was only in 1960s that a cooperative was legally enacted. During the reign of Haileselassie, the cooperative legislation No 241/1966 was proclaimed and about 154 different types of cooperatives were organized. During the Durg regime, cooperatives that were organized earlier were considered unnecessary and discarded. The newly organized cooperatives under the regime have purposefully made instruments of political power.

At present, there are 27,147 organized primary and 524 secondary cooperatives, of which 476 primary and 12 secondary cooperatives are coffee marketing cooperatives and the total number of members in primary cooperatives reached 4,903,683 (11.55% female) owning birr 1, 572,256,047 capital (FCA, 2012). It is evident that the cooperatives are playing a great role in the local and international trade of the country.

Coffee has remained the main export of the country; however, other agricultural products are currently being introduced on the international market. Despite secular decline in the international coffee price, coffee still remains the country's dominant export commodity. According to Villanger (2006), the major export products from Ethiopia in 2004/05 were coffee (41%), oil seeds (13%), Khat (12%), leather and leather products (8%), Gold (6%) and pulses (4%).

In rural areas, smallholders are often geographically dispersed; roads and communications are poor, and the volume of business is insufficient to encourage private service provision. In other words, there are high probabilities of market failure. Inefficient and underdeveloped markets, results in low and variable prices thereby reducing the profitability of new technologies for farmers, discouraging business people from investing in processing activities, retailers and transporters from investing in improved market and transport services (Mulat and Tadele, 2001).

Intervention to reduce uncertainty and other marketing problems and to bring the peasant households into profit maximizing category may be realized through establishment of rural institutions, such as cooperatives. The concept of human cooperation is not new. Cooperative is a worldwide movement. It prevails both in developed and developing nations, and in all branches of economic activity (Krisiinaswami and Kulandaiswamy, 2000).

There are two major varieties of coffee, namely arabica coffee (Coffee arabica L.) and robusta coffee. Ethiopia produces only arabica coffee, which is believed to have originated in the rain forests of southwestern Ethiopia – hence Ethiopia is known as "the home of coffee". Annual coffee production fluctuates between 6 to 7 million tones, with production in the 2012/13 crop year totaling 113 million bags, of 60 kg (NBE, 2011).

1.2 STATEMENT OF THE PROBLEM

It is believed that the characteristics of modern cooperative businesses have mostly been developed in the past 160 years. People form cooperatives to do something better than they could do individually or through a non-cooperative form of business. Acting together, say, in bringing agricultural produce (e.g. coffee) collectively, members can develop bargaining power, enjoy the benefits of a larger business and can access information, which has important impact in the process of marketing. Sometimes people believe that forming a cooperative automatically will solve business problems faced by individual farm households. In reality, cooperatives are subject to the same economic forces, legal restrictions and international relations that other businesses face (Krisiinaswami and Kulandaiswamy, 2000).

Regards to coffee marketing activities, various forms and extent of problems could be identified, and prioritized, to decide upon them by the decision makers. In addition, the cooperatives decision-making procedures purchase capacity, sales volume, profitability, and other marketing performance parameter needs to be assessed. This may also be true for cooperatives. To bring maximum profits to all institutions concerned, a channel of distribution should be treated as a unit- a total system of action (Mamoria, et al., 2003).

Actually, there is no sufficient empirical information supported with scientific research that shows the factors determine decision of cooperatives members to sale their coffee through marketing cooperatives and/or their unions, the magnitude of members benefit from these cooperative organizations and the degree of satisfaction. This research will, therefore, attempt to empirically investigate the above issues and bridge information gaps.

1.3. RESEARCH QUESTIONS

1. What are the factors that influence farmers' marketing of coffee through cooperatives?
2. How is the financial performance of agricultural cooperatives in the study area?
3. What are the attitudes of coffee producers towards coffee cooperatives?

1.4. OBJECTIVES OF THE STUDY

GENERAL OBJECTIVE

General objective is to investigate the factors that determine the decision of cooperative members' to sale their coffee through cooperatives.

SPECIFIC OBJECTIVES

The specific objectives of this study are:

1. To identify factors that influence farmers' marketing of coffee through cooperatives
2. To examine the financial performance of coffee cooperatives in the study area
3. To study coffee producers' attitudes towards coffee cooperatives

1.5. SIGNIFICANCE OF THE STUDY

Information to be produced by this study would be useful for the management bodies of the primary coffee farmers' marketing cooperatives under consideration as well as other cooperatives operating under similar conditions in improving their performance through suitable and appropriate measures. The information would also provide a good lesson for new cooperatives to be established. In general, the findings of this research would be useful to cooperatives societies, researchers, and governmental and non- governmental organizations for policy formulation, planning and development of agricultural marketing and cooperatives in the country.

2. RESEARCH METHODOLOGY

The study was conducted in coffee production potential area, Gomma and Limu Kosa districts in Jimma zone of Ethiopia. To meet the objectives of the study, multi stage random sampling procedure was adopted for the selection of the sample coffee producers from the cooperatives. In the first stage, two districts namely Gomma and Limu Kosa districts were selected purposively from Jimma zone. In the second stage, by considering the number of coffee cooperatives, twelve coffee cooperatives (seven from Gomma and five from Limu kosa district) were randomly selected. In the third stage, 180 coffee producers were selected randomly. Both primary and secondary data were used for the study. Primary data was collected by interviewing techniques using pretested questioner. Collected data was analyzed by using descriptive statistics, econometric analysis and financial ratios.

Descriptive statistics was employed to study farmers' attitudes towards agricultural cooperatives and to show general socioeconomic characteristics' of the co-operatives members.

Econometric analysis which use Tobit model, was used to identify factors that determine farmers' marketing of coffee through the marketing cooperatives. In the course of identifying factors influencing the marketing of coffee through the marketing cooperative 16 potential variables, which are supposed to influence marketing of coffee through the cooperative were hypothesized.

Dependent variable: The Tobit Model uses censored values as a dependent value (Gujurati, 1999). As observed in different empirical studies, this variable can be expressed in terms of ratio, actual figure and logarithmic form depending on the purpose of the study. The total quantity of coffee (in quintal) the producer marketed through the cooperative in 2013/4 will be taken as the dependent variable.

The Tobit model can be defined as:

$Y_i = \beta_i + \Sigma\beta_i X_i + U_i$ i = 1, 2…

$Y_i^* = \quad X_i + U_i$ i=1,2,…,

$Y_i = Y_i^*$ if $Y_i > 0$

$Y_i = 0$ if $Y_i^* < 0$

Where,

Y_i= the observed dependent variable, in this case a quintal of coffee marketed through the cooperative

Y_i^*= the latent variable which is not observable

X_i= vector of factors influencing the marketing of coffee through the cooperative

i= vector of unknown parameters

U_i= residuals that are independently and normally distributed with mean zero and a common variance δ2

Independent variables: total of 16 variables such as: district, family size, education level, number of years of membership, off/non-farm income, farm size, total livestock holding, position in the cooperative, coffee product, credit, availability of other services, distance of the cooperative from the farmer house, distance of the district/main market from the farmer house, availability of other marketing agents, cooperative price for coffee, and patronage refund will be hypothesized to explain the dependent variable.

Financial performance measures ratios: ratios were also used to examine the financial performance of the coffee cooperatives of the study area. Measurement of actual performance also include why that has happened, deviations between actual and planned (standard) should be identified so that corrective actions could be initiated (Mamoria, et al., 2003). For the financial performance analysis of the cooperatives', the audit reports, the balance sheet and profit and loss statements of the cooperatives were used.

FINANCIAL RATIOS OF THE COFFEE MARKETING COOPERATIVES

The financial ratios were calculated using the most significant financial ratios that allow forming a judgment about the efficiency of the cooperatives, the return on key aggregates (income ratios) and its creditworthiness.

A. EFFICIENCY RATIOS

Inventory turnover = Cost of goods sold / Inventory -- Eq (1)

Low turnover ratios mean that a cooperative with large stocks on hand find it difficult to sell its product, and this may be an indicator that the management is not able to control its inventory effectively (Gittinger, 1982).

Operating ratio = Operating expense / Revenue -- Eq (2)

The operating ratio is an indicator of the ability of the management to control operating costs including administrative expenses (Gittinger, 1982).

B. INCOME RATIOS

Return on sales = Net income / Revenue -- Eq (3)

Lower return on sales indicates that the cooperatives were making lower operating margin and greater sales must be made to make an adequate return on investment.

Return on equity = Net income / Equity -- Eq (4)

The larger ratio is related to effective use of the owners' capital (Anderson and Vincze, 2000).

Return on asset = Net income / Total asset --- Eq (5)

The return on asset should exceed the cost of capital in the society as measured by, say, the bank lending rate to industries-provided that there is no interest subsidy (Gittinger, 1982).

C. CREDITWORTHINESS RATIOS

Current ratio = Current asset / Current liability --- Eq (6)

A rule of thumb sometimes applied to the current ratio is that it should be around 2 (Gittinger, 1982).

Debt - equity ratio = Total liabilities / Net worth -- Eq (7)

In agricultural projects, enterprises are likely to need a strong equity base (Gittinger, 1982).

3. RESULT AND DISCUSSION

This section describes the major findings of the study.

3.1. HOUSEHOLD CHARACTERISTICS

From the interviewed respondents, 61.3% of the coffee producers sold their coffee through the coffee cooperatives while, 38.7% of the coffee producers didn't sale coffee through the coffee cooperatives in the study period, year 2013/4. As indicated in Table 1, the average age of the sample respondents was about 48 years.

The average family size of the sample households was 6.49 persons, with maximum and minimum family size of 18 persons and 1 person, respectively. The average family size of the sample households that used the cooperative as marketing agent was 6.23 persons, with maximum and minimum family size of 19 and 2 persons, respectively. The corresponding number for the non-users was 6.78 persons, with maximum and minimum family size of 14 persons and 1 person respectively.

TABLE 1: DEMOGRAPHIC CONDITION OF THE SAMPLE RESPONDENTS

	Users		Non users		T-value	Total sample	
Demographic	(n= 120)		(n= 60)			(n=180)	
	Mean	St. Dev	Mean	St.Dev		Mean	St.Dev
Age (year)	49	12.81	47	10.8	1.23*	48	11.84
Family (number)	6.23	2.23	6.78	2.43	0.56	6.49	2.34
Active labor (man-equiv.)	3.26	1.23	3.24	1.49	-0.58	3.25	1.31

Source: own computation

* Characterize level of significance at less than 10%

3.2. ATTITUDE OF MEMBERS TOWARDS MARKETING COOPERATIVES

The cooperatives purchase coffee as it is primarily produced and sold by most of the coffee producers in the study area. The duration of their purchasing ranges from October to May. In 2012/3, 53% of the sampled coffee producers marketed coffee through the cooperatives. This figure increased to 58.3% in 2013/4.

The study identifies that, 66.7% of the total respondents' sale coffee through the cooperatives. Among users of the cooperatives, 27% of the respondents use cooperatives to sale their coffee by assuming that cooperatives provide them genuine measurement (no cheating in the weight) of the coffee. Other users, 33.2% of the respondents use cooperatives due to imagining an advantage of patronage refund from cooperatives. Both genuine measurement and patronage refund considered as essential arguments to use cooperatives by 37.7% of the respondents. Genuine measurement and introduction of desirable competition were pointed out by 16% of the respondents. The consistent numbers for patronage refund and introduction of desirable competition were 3.7% and 8.4% respectively.

Cooperatives provide other services to the farmers besides supplying farm inputs, purchasing farm produces and extending credit. In the study areas, coffee marketing cooperatives gave coffee washing machine, sacks, and other services. As indicated in Table 2, 46.2% of the sample respondents were beneficiary from these cooperatives services. From the users of cooperatives to sale their coffee 70% of the respondents' get different service provided by the cooperatives, while 24.6 % of the non-users of the cooperatives as marketing agent get different cooperative services. There is statistically significant difference between cooperative users and non-users in getting these services. The significant χ^2 test indicates that more of the sample farmers who used the cooperative as their marketing agents were beneficiary from the services.

TABLE 2: OTHER SERVICES OF THE COOPERATIVES USED BY SAMPLE RESPONDENTS

Other service	Users		Non users		Total sample	
	(n= 120)		(n= 60)		(n= 180)	
	N	%	N	%	N	%
No	36	30	45	75.4	81	45
Yes	84	70	15	24.6	99	55
χ^2-value			14.25***			

Source: own computation

*** Represent level of significance at less than 1%.

As shown in Table 3, 48.2% of the sample respondents realize that the cooperative didn't solve their major common problems currently. About 62.5% of the sample respondents assumed that the cooperatives will enable them to overcome their major common problems in the future while, 17.5% of the sample respondents don't think so. Lack of responsibility for the common work assumed as the main reason for not the cooperative enable them to overcome their major common problems and the idea is supported by 88.7% of respondents'. The misuse of the cooperative by cooperative management and employees and lack of commitment of the members for the cooperative reflected as the other reasons and these ideas are supported by 24%, 25% and 32% of the respondents' respectively.

TABLE 3: COOPERATIVES CURRENT AND FUTURE PERFORMANCE PERCEPTION OF THE RESPONDENTS

Performance	Users		Non-users		Total sample	
	(n= 120)		(n= 60)		(n= 180)	
Current	N	%	N	%	N	%
Not good	46	38.3	30	50	76	42.2
Good	74	61.7	30	50	104	57.8
χ^2-value			2.48			
Future	N	%	N	%	N	%
Not good	16	13.3	15	25	31	17.2
Good	104	86.7	45	75	149	82.8
χ^2-value			4.8**			

Source: own computation

** Represent level of significance at 5%

3.3. PERFORMANCE MEASURES OF THE COFFEE COOPERATIVES

The study use ratio analysis to examine the performance of the coffee cooperatives. Subsequently the following types of ratio analysis result were used to show the performance of the cooperatives.

3.3.1. LIQUIDITY ANALYSIS

The acceptable rate of current ratio that is accepted by most lenders as condition for permitting loan is 2.00. With this measure some cooperatives in Gooma and Limu kosa districts performed below the desirable standard with the reference years (2012/3 and 2013/4). In 2012/3 the average current ratio for the twelve selected cooperatives in the Gooma and Limu kosa districts was 1.174 (Table 4). Harawa Jimate coffee cooperative scored highest ratio of 2.102 while Oda Hodaru coffee cooperative scored lowest ratio of 1.012 in 2012/3. In 2013/4 the average current ratio was 1.382. The highest ratio 2.038 was scored by Chime and the lowest ratio 0.965 was scored Bulado.

As it is specified in Table 4, the liquidity ratio of the sampled cooperatives to some extent increases in 2013/4 as compared to the 2012/3 except in Choche Guda, Bulado, Oda Hodaru and Shogole cooperatives. This indicates that their current liabilities are decreasing than their current assets.

TABLE 4: COFFEE COOPERATIVES FINANCIAL RATIOS OF THE STUDY AREA

Cooperatives	CR	CR	DR	DR	ROTA	ROTA
	2012/3	2013/4	2012/3	2013/4	2012/3	2013/4
Choche Guda	1.212	1.086	0.512	0.412	0.012	0.011
Biftu Gudina	1.071	1.072	0.507	0.560	0.025	0.026
Dalacho	1.060	1.071	0.524	0.576	0.022	0.015
Bulado	1.071	0.965	0.601	0.424	0.001	0.006
Oda Hodaru	1.012	0.989	0.657	0.572	0.111	0.132
Duromina	1.037	1.987	0.564	0.577	0.046	0.044
Yachi Kachisa	1.024	1.976	0.605	0.688	0.031	0.036
Babu	1.030	1.189	0.703	0.566	0.035	0.041
Chime	1.199	2.038	0.692	0.512	0.031	0.046
Shogole	1.186	1.076	0.501	0.502	0.006	0.012
Wolensu	1.086	1.145	0.507	0.440	0.046	0.041
Harawa Jimate	2.102	2.001	0.527	0.457	0.023	0.025

Source: own computation

3.1.2. FINANCIAL LEVERAGE MANAGEMENT ANALYSIS

All of the cooperatives in the two districts used financial leverage. As presented in Table 4 the average debt- asset ratio of the sample a coffee cooperative was 57.5% in 2012/3. The ratio indicates that 57.5% of the total asset of the cooperatives was covered by the credit gained from financial institutions. In 2013/4 the average debt-asset ratio reduced to 52.3%. Only four coffee cooperatives of Gomma district have shown slight increase in debt-asset ratio in 2013/4 as compared to the previous year.

3.1.3. PROFITABILITY ANALYSIS

Based on the finding of this study, the profitability ratios of most of the sampled coffee cooperatives in Gooma and Limu kosa districts were low during the study period. As shown in Table 4 highest profitable coffee cooperatives in 2012/3 were Duromina and Wolensu with 4.87%, while the lowest profitable is Bulado cooperative with ratio of 0.12%.

In 2013/4 the highest ratio of 4.71% was scored by Babu and the lowest of 0.6% was scored by Bulado. In 2012/3 the average profitability of the cooperatives under investigation was 3.24% while this ratio was increased to 3.62% in 2013/4. The average profitability ratio for the two years was 3.43%.

3.4. FACTORS DETERMINING THE MARKETING OF COFFEE THROUGH THE COFFEE COOPERATIVES

The VIF (Variance inflation factor) values of the study have shown that all the continuous explanatory variables have no serious multicollinearity problem. Hetroscedasticity was also tested for all variables by using LIMDEP software. There was no serious problem of hetroscedasticity in the model. All-important variables were included in the analysis of marginal effect and marketing through the coffee cooperative probability.

Sixteen explanatory variables of which 5 are dummy variables were taken for the analysis. The result of the analysis indicated that 8 variables were found significant. The effect of the different independent variables on the sale of coffee through the coffee cooperative is discussed as follows.

Position in the cooperative (POSCOP) influenced positively the probability of marketing and marketing intensity of coffee through the cooperative which is significant at 1% level. Having a position at different levels in the cooperative increases the probability of marketing of coffee through the cooperative and its intensity by 0.19%.

Coffee produced (COFPRD) influenced positively the marketing of coffee through the cooperative and its intensity as expected by the hypothesis which is significant at 5% significance level. Each additional quintal of coffee produced increases the probability of marketing of coffee through the cooperative and its intensity by 0.21%.

Farm size (FARMSIZE) determines the marketing of coffee through the coffee cooperatives and its intensity positively significant at 10% significance level. Each additional hectare of land increases the probability of marketing of coffee through the coffee cooperative and its intensity by 0.18%.

Cooperative price for coffee (COPC) determines the marketing and the intensity of marketing of coffee through the cooperative positively which is significant at 1%. Charging competitive price for a quintal of farmer's coffee increases the probability of marketing of coffee through the cooperative and its intensity by 0.13%.

Patronage refund (PATREF) also influenced the marketing of coffee through the cooperatives and the marketing intensity positively (significant at 1%). A patronage refund of one birr for a quintal of coffee given to the farmer increases the probability of marketing of coffee through the coffee cooperative and its intensity by 0.54%. This implies that farmers are encouraged to sale their coffee through the coffee cooperative if they get patronage refund.

Credit (CRET) influenced the marketing of coffee and intensity of marketing through the coffee cooperatives negatively which is significant at 5% significance level. Getting the required amount of farm inputs will increase the productivity of coffee by the coffee producers. When the amount of coffee productivity increases the amount to be marketed also increase. However, the farmers' usage and participation in the cooperative as their marketing agent for coffee was not as they got credit for inputs from the cooperative i.e. farmers paid this credit to the cooperatives after selling to other marketing agents. That is why the result showed negative sign.

Distance of the cooperative from the farmer's house (DCFH) influenced the marketing of coffee through the cooperatives and intensity of marketing negatively which is significant at 1% significance level. Producers who are nearer to the cooperative were more marketed coffee through the coffee cooperatives. As the house of the coffee producer is far by an hour from the cooperative the probability of marketing of coffee through the coffee cooperatives and its intensity decreases by 0.23%.

Distance of the district market from the farmer's house (DCMKT): it was significant at 5%. As the house of the farmer is far by an hour from the district market the probability of marketing of coffee through the coffee cooperatives and its intensity increases by 0.72%. The implication is that farmers who are nearer to the district market have access to main market system to sell their coffee.

TABLE 5: MAXIMUM LIKELIHOOD ESTIMATES OF THE TOBIT MODEL

Explanatory Variables	Estimated Coefficients	Standard error	Mean	T-ratio	Change in Probability	
						θ_i
					$\frac{\partial F(z)}{\partial X_i} \approx f(z)$	
						Σ
Constant	-1.5437	1.6783		-0.866		
DISTCT	-1.3415	0.8541	0.5364	-1.7689	-0.0023	
EDULEV	-0.0416	0.0751	2.0132	-0.302	-0.0011	
FAMSIZ	-0.2334	0.1964	5.3187	-1.805	-0.0013	
MEMBYR	0.0400	0.0524	20.6233	0.654	0.0014	
ONOFINC	0.0002	0.0006	494.0001	1.223	0.0012	
POSCOP	3.6553***	1.0267	0.0058	3.122	0.0019	
FARMSIZE	0.6584*	0.4018	2.0216	1.546	0.0018	
COFPRD	0.0634**	0.0452	14.7343	2.324	0.0021	
TLU	0.0592	0.1875	4.9708	0.249	0.0005	
COPC	2.4790***	0.7863	0.1557	2.142	0.0013	
PATREF	0.1021***	0.0240	9.7203	8.143	0.0054	
CREDIT	-0.1210**	0.5678	0.4775	-0.210	-0.0006	
AVMKAG	-0.8905	0.8271	0.2336	-1.123	-0.0011	
AOS	0.5274	0.7450	0.4237	0.653	0.0012	
DCFH	-2.2117***	0.7280	0.4220	-3.311	-0.0023	
DCMKT	1.2201**	0.0243	1.5235	2.1205	0.0072	

Source: Own computation

Log Likelihood function = -201.2421 Number of observation = 180 K = 23

Likelihood ratio = 128.9320 χ^2 (16,103) =15.72 Pseudo R^2 = 0.74

***, **, and * represent level of significance at 1%, 5% and 10%, respectively

4.4. CONSEQUENCE OF CHANGES IN THE SIGNIFICANT VARIABLES ON THE AMOUNT OF COFFEE SALE THROUGH THE COFFEE COOPERATIVES

The results of the Tobit model can be used to identify the effects of changes in independent variables on the amount of sale of coffee through the coffee cooperatives. The effect is discussed as follows.

Position in the Cooperative (POSCOP): Coffee producers that have position in the cooperative used the cooperative better than the other members as their marketing agent for their coffee. Consequently, having any kind of position in the cooperative increases the quantity of coffee sold through the coffee cooperatives by 3.02 qts among users and 2.30 qts by the whole sample.

Farm size (FARMSIZE): An increase in farm size by 1 ha increases the quantity of coffee marketed through the cooperative by 0.43 qts among users and 0.052 qts by the whole sample.

Patronage refund (PATREF): A patronage refund of one birr for a quintal of coffee increases the quantity of coffee sold through the cooperatives by 0.02 qts among users and 0.04 qts by the whole sample.

Cooperative price for coffee (COPC): As cooperatives charging similar or better price for farmer's coffee increases marketing the coffee through the cooperative. It increases the quantity marketed by 2.10qts among users and 1.32qts by the whole sample.

Coffee produced (COFPRD): An increase in the amount of coffee produced by 1qt increases the quantity of coffee sold through the coffee cooperatives by 0.03qts among users and 0.04qts by the whole sample.

Distance of the Cooperative from the Farmer's House (DCFH): An increase in the distance of the farmer's house from the cooperative by 1hour reduces the quantity of coffee sold through the cooperatives by 2.54qts among users and 2.17qts by the whole sample.

The distance of the main market from the farmer house (DCMKT): The study identifies that, an increase in the distance of the coffee producer house by 1hour from the district market increases the quantity of coffee sold through the coffee cooperatives by 1.06qts among users and 0.71qts by the whole sample.

TABLE 6: CONSEQUENCES OF CHANGE IN THE SIGNIFICANT VARIABLES ON THE AMOUNT OF SALE OF COFFEE THROUGH THE COFFEE COOPERATIVES

Variables	Change among users of cooperatives		Change among the whole
	$\partial E(Y_i / Y_i$		$\partial E(Y_i)$
	∂X_i		∂X_i
DISTCT	-1.2841		-1.0121
EDULEV	-0.0211		-0.0122
FAMSIZE	-0.3001		-0.2242
MEMBYR	0.0386		0.0312
ONOFINC	0.0002		0.0001
POSCOP	3.024		2.309
FARMSIZE	0.4281		0.521
COFPRD	0.0306		0.0429
TLU	0.0201		0.0918
COPC	2.1012		1.3211
PATREF	0.0205		0.0425
CREDIT	-0.102		-0.0812
AVMKAG	-0.6007		-0.4148
AOS	0.3251		0.4117
DCFH	-2.5414		-2.1703
DCMKT	1.0645		0.7125

Source: Own computation

Log Likelihood Function = -204.2440

Sigma (δ) = 24.8156 f(z) = 0.0008

z = 1.34 F(z) = 0.8321

4. CONCLUSION AND RECOMMENDATIONS

4.1. CONCLUSION

Agricultural cooperatives help in promoting agricultural development in the rural area through supporting production and increase marketing efficiency of the agricultural products.

The study identifies the financial performance of coffee cooperatives and factors influencing coffee producers marketing through coffee cooperatives in Gomma and Limu kosa districts.

The financial performance of the coffee cooperatives is examined using the financial ratios. Ratios were analyzed taking the two years financial data. The liquidity analysis showed that the cooperatives under investigation were less current ratio for the two years. The profitability ratio of the cooperatives under investigation in the two districts showed that the profitability of the cooperatives was not as such strong. All the cooperatives earn return on their asset below the interest rate the financial institution extend credit.

To categorize the factors inducing coffee producers marketing of coffee through the coffee cooperatives in the study districts, Tobit regression model was used. The model results revealed that among sixteen explanatory variables, eight were found to be significant at less than 10% probability level.

4.2. RECOMMENDATIONS

Based on the finding of this study, the following major arguments are proposed for consideration to improve the performance of the coffee cooperatives in the study area.

1. Cooperative will have to provide different supporting services to the members in order to be selected as marketing agent by their members'.
2. The cooperatives need to charge competitive price for the farmers' coffee so as to be a marketing agent.
3. Continuous training and capacity building have to be given for coffee cooperatives committee and members' to build positive attitudes towards the cooperatives.

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