

The Status, Challenges and Opportunities of Primary Multipurpose Agricultural Cooperatives (PMPACs) in Northern Ethiopia: The Case of Gozamin District, East Gojjam, Amhara National Regional State

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Abstract

Ethiopia is an agrarian country where the agriculture sector is the main economic stay of about 84% of its population. Taking this fact into account, the government has placed large emphasis and made a great investment on promoting co-operatives, especially the agriculture-oriented ones, among other organizations, to transform the sector. To this end, a study of 120 farmers randomly selected in 3 *kebeles* (the lower administrative units) with a cooperative membership criterion was conducted in *Gozamin* District, East *Gojjam*, Ethiopia to assess the status of primary multipurpose agricultural cooperatives (PMPACs), the type of services they are offering to their members, their major challenges and opportunities influencing their performance in the real situation. The study found that PMPACs were the dominant ones by status (i.e. by function, by the size of membership and capital accumulation) than other cooperatives established in the study area. They were mainly engaged in the supply of farm inputs and consumer goods to their members. Besides, the provision of additional services like credit, marketing and milling varied from one *kebele* to the other indicating the locational differences in their financial capacities and the service demands of their members. Moreover, the study identified negative attitude, poor management and limited capital as the major challenges, and the existence of conducive agro-climatic conditions for agricultural production, interest of the society to form such cooperatives and a good access to road and market as the major opportunities of PMPACs in their order of importance. Finally, the study puts the following suggestions to tackle their challenges and then fully exploit the identified opportunities: The cooperative promotion offices at the District and Zonal levels, and if needed, at Regional and Federal levels, among other stakeholders, should provide basic trainings on the objectives, principles and values, and functions of cooperatives to members and the general public to brainwash the negative attitude developed in the past regime. Besides, the respective offices should closely work with the cooperatives to help them employ cooperative managers on merit basis and arrange a regular managerial skill enhancing trainings to their managers and management bodies to enable them exercise an effective and efficient management. The concerned stakeholders should also help these cooperatives to formulate some strategies to increase members' capital subscription and to create linkages with financial institutions to access credits to solve their shortage of capital.

Keywords: Status, service provision, challenges, opportunities, multipurpose, primary, agricultural cooperatives, Ethiopia.

1. INTRODUCTION

In Ethiopia, agriculture accounts for 84% of the labor force and it holds a significant potential to improve incomes and food security, especially in rural areas (Chiyoge B Sifa, 2014). Due to this fact, the Ethiopian government, as part of its effort to transform the agricultural sector, has placed large emphasis and made a great investment on promoting co-operatives as one of the main organizational vehicles for enhancing food security and reducing rural poverty compared to most Sub-Sahara African countries (Delelegn *et.al*, 2016, Navarra, C., *et.al*, 2017).

Agricultural co-operatives are agricultural-producer-owned coops whose primary purpose is increasing member producers' production and incomes by helping better link with finance, agricultural inputs, information, and output markets (ATA, 2012). By doing so, in June 2012, the majority of both the 400,000 primary cooperatives and the 200 cooperative unions in Ethiopia were agricultural cooperatives engaged in input and output marketing (Abate G. T., *et.al*, 2013).

Among these cooperatives, multipurpose agricultural cooperatives uniquely are expected to take the lion's share with regard to providing a wide range of services, mainly input supply, marketing, saving and credit services and provision of consumer goods to their members in an integrated manner under a single umbrella to realize the transformation of the smallholder agriculture and there by promote the living standard of the farm workers. Therefore, this paper is aimed at presenting findings on the status, challenges and opportunities of the primary multipurpose agricultural cooperatives taking into account their aforesaid roles which both their members in particular and the country at large are expecting to be played.

2. METHODOLOGY

A multi-stage sampling technique was employed in this study. First, *Gozamin* as the study district was purposively selected out of the 14 districts found in East *Gojjam* Zone of the Amhara National Regional State with the characteristics of proximity and accessibility. Next, 3 *Kebeles* (the lowest administrative units) namely, *Wonka*, *Fendika* and *Enerata* out of the 25 *Kebeles* in the district where primary multipurpose agricultural cooperatives are established and functional were purposively selected. Moreover, the household heads (HHs) in the respective *kebeles* were stratified as members and non-members of these cooperatives. Lastly, a total of 120 HHs, 76 members and 44 non-members, based on probability proportional to size (PPS) technique were randomly selected and interviewed using a structured interview schedule to collect the required quantitative data. Key informant interview was also used to crosscheck the validity of the data obtained from the sample respondents. The gathered quantitative data were analyzed using simple descriptive statistics through SPSS version 12. To serve the objectives of this paper, the data obtained only from members of the respective cooperatives were used for analysis.

3. RESULTS AND DISCUSSION

3.1. Demographic characteristics of sample respondents

Table 1. Distribution of respondents by demographic characteristics (N=120)

Characteristics	No	%
Sex:		
Male	101	84.2
Female	19	15.8
Total	120	100
Age category:		
[25-35)	1	.8
[35-45)	21	17.5
[45-55)	36	30
[55-65)	30	25
[65-75)	22	18.3
>=75	10	8.3
Total	120	100
Marital status:		
Married	101	84.2
Single	3	2.5
Divorced	9	7.5
Widowed	7	5.8
Total	120	100
Education status:		
Illiterate	49	40.8
Literate	71	59.2
Total	120	100
Religion :		
Orthodox Christian	120	100
Total	120	100

Source: Survey result, 2010

As shown in Table 1 above, the majority of the respondents were male (84.2%), found in the age category between 45 to 65 years (55%), who were married (84.2%) and literate (59.2%). Besides, all of them were orthodox church followers by religion.

3.2. The general status (type, membership and capital) of PMPACs in the study district

As indicated in Table 2 below, multi-purpose agricultural cooperatives are the dominant types (51.9%) with a large share of membership (95.3%) and capital accumulation (90.6%) compared with other cooperatives being operational in the district. A similar study conducted in Northern Ethiopia, Dangila district also showed that multipurpose agricultural cooperatives are the dominant ones compared with other cooperative types (Andinet Dagneu, 2012: Unpublished). Besides, a review made at national level by Kifle Tesfamariam (2015) indicated that multipurpose cooperatives are the first most common type of coops in Ethiopia in terms of number, membership and capital.

Table 2. Primary level cooperatives by their function, membership and amount of capital in the district

No.	Type of primary cooperative societies	No (%)	Membership		Capital (Birr)		
			Male	Female	Total (%)	Initial	Current (%)
1	Multi-purpose	14 (51.9)	20,164	1,267	21,431 (95.3)	26,120	4,243,553.21 (90.6)
2	Saving and credit	7 (25.9)	300	72	372 (1.7)	4145	53,935.86 (1.2)
3	Dairy	3 (11.1)	122	8	130 (0.6)	1460	59,903.03 (1.3)
4	Apiary	1 (3.7)	295	29	324 (1.4)	2560	305,997.95 (6.5)
5	Incense & gum	1 (3.7)	130	-	130 (0.6)	1,740	8,520 (0.2)
6	Irrigation development	1 (3.7)	95	5	100 (0.4)	754	9810 (0.2)
Total		27 (100)	21106	1381	22487 (100)	36779	4,681,720.05 (100)

Source: *Gozamin* district cooperative promotion office, 2010

As of 2016, a total of 74,904 primary level cooperatives have about 14.1 million member households in Ethiopia. Of the total, about 30% (22,379) are agricultural cooperatives. About 62.2% (13,918) of the agricultural cooperatives are multipurpose, while 37.8% (8461) have a single function (Federal Cooperative Agency, 2016). All these imply that multipurpose cooperatives are preferred most than others as they provide a wide range of services which their potential and actual members highly require for their agricultural production activities with a reasonable price, at the right place and time.

It was the saving and credit cooperatives which came next to multipurpose cooperatives in terms of number (25.9%) and membership (1.7%) though they did have a lower share of capital accumulation (1.2%) when compared with a single apiary cooperative's share (6.5%) in the district. Apiary, incense and gum, and irrigation development cooperatives were found to be limited (each shared 3.7%) in number in the district. Especially, apiary cooperatives, next to the multipurpose, were expected to be larger in number as the district has a great potential for honey production.

3.3. Services provided by the PMPACs to their members in the study district

As it is shown in Table 3 below, all the sampled PMPACs were commonly engaged in farm input supply (100% in all *kebeles*), consumer goods supply activities (95.7%, 95.5%, and 96.8% for *Wonka*, *Fendika* and *Enerata kebeles*, respectively).

Table 3. Services provided by each PMPACs to their members by sample *kebeles* (N= 76)

No.	Services provided	Name of the <i>kebeles</i>					
		<i>Wonka</i> (N= 23)		<i>Fendika</i> (N= 22)		<i>Enerata</i> (N= 31)	
		Yes (%)	No (%)	Yes (%)	No (%)	Yes (%)	No (%)
1.	Farm input supply	100	0	100	0	100	0
2.	Marketing	0	100	90.9	9.1	0	100
3.	Milling	0	100	0	100	80.7	19.4
4.	Consumer goods supply	95.7	4.4	95.5	4.5	96.8	3.2
5.	Saving & credit service	65.2	34.8	0	100	0	100

Source: Survey result, 2010

It was only in *Wonka*, *Fendika* and *Enerata kebeles* that the PMPACs additionally provided saving and credit service (65.2%), marketing service (90.9%) and grinding service (80.7%) to their members, respectively together with the aforementioned services. This indicated that the type of services to be provided varies by *kebeles* where the PMPACs are functioning depending on the financial capacities, the needs and interests, and participation of their members in each cooperative. In this regard, Andinet Dagneu (2012: unpublished) in his study confirmed that the primary multipurpose cooperatives provide the aforementioned services to their members at different degrees of success. Generally, in Ethiopia, supplying agricultural inputs and credit are the most important activities of cooperatives followed by a more limited commercialization or marketing services (Bernard T., *et.al*, 2013).

3.4. Major challenges and opportunities of PMPACs in the study district

The sample cooperative members replied that negative attitude towards cooperatives (36.8%), poor management (35.5%) and lack of adequate capital (19.7%) mainly challenged the PMPACs to offer services in a full capacity to their members (Table 4). According to the discussion made with the District's cooperative specialists and the *Kebele* cooperative organizers, the negative attitude towards and lack of full trust on cooperatives is due to the bad image imprinted on the mind of the community due to the wrong approach of cooperatives formation adopted by the past military regime (*Derg*) of Ethiopia. As a matter of fact, cooperatives during the military period were politically oriented, established without the will of members and benefited their patrons little.

Table 4. Challenges and opportunities of PMPACs as perceived by members (N=76)

Challenges	Members' response (%)
Limited capital	15 (19.7)
Poor managerial capability	27 (35.5)
Negative attitude towards cooperatives	28 (36.8)
Weak technical support from district offices	3 (3.9)
Poor linkage among other stakeholders (zonal, regional, federal cooperative bureaus)	3 (3.9)
Total	76 (100)
Opportunities	Members' response (%)
Existence of socioeconomic problems requiring cooperation as a solution	4 (5.3)
Interest of the society to form coops	22 (28.9)
Suitable agro-climatic condition for crop & animal production	31 (40.8)
Accessibility to road and market	16 (21.1)
Good government commitment to support cooperatives	3 (3.9)
Total	76 (100)

Source: Survey result, 2010

The forced formation and routine intervention from the state agents are critical factors, which contributed to the poor record of agricultural cooperatives in the country (Rahmato, 1993, cited in Abate G. T., et.al, 2013).

According to Andinet Dagneu (2012: unpublished), poor management and lack of members' motivation (to be mainly emanated from members' negative attitude towards cooperatives) are found to be the major challenges of PMPACs. A study by Asfaw Temesgen (2014: unpublished) focusing on the managerial efficiency and effectiveness of PMPACs also found that these cooperatives are experiencing poor management due to the limited managerial competency of their leaders. Besides, Kifle Tesfamariam (2015) on his review, regardless of cooperative type, identified that poor management/weak governance among others are the major challenges of cooperatives in Ethiopia. Generally, according to Bernard T., et.al (2013), financial constraint, members lack of motivation and technical difficulties, in their order of importance, are the three most important challenges of cooperatives in Ethiopia.

In addition, as can be shown in Table 4 above, the respondents reported that the existence of a favorable agro-climatic condition (40.8%) for agricultural production, the general interest of the society (28.9%) to form and work collectively through cooperatives and a good access to roads and market (21.1%) to easily market out farm outputs were the major opportunities for the formation, development and promotion of multipurpose agricultural cooperatives in the study area.

4. CONCLUSION AND RECOMMENDATION

Ethiopia is an agrarian country where the agriculture sector is the main economic stay of about 84% of its population. Due to this fact, the government has placed large emphasis and made a great investment on promoting, especially agricultural co-operatives to increase the productivity of smallholder agriculture and thereby improve the living standard of those actors involved in the sector. This study gave special emphasis to primary multipurpose agricultural cooperatives as they are much expected to address multifaceted problems of small farmers through the provision of multiple services. The study, as it was expected, found that PMPACs were the dominant ones by status (i.e. by function, by the size of membership and capital accumulation) compared with other types of cooperatives established in the study area. They were mainly engaged in the supply of farm inputs and consumer goods followed by credit, marketing and milling services to their members varied from one *kebele* to the other.

Moreover, the study identified negative attitude, poor management and limited capital as the major challenges, and the existence of conducive agro-climatic conditions for agricultural production, interest of the society to form such cooperatives and a good access to road and market as the major opportunities in their order of importance. Therefore, in order to well exploit and tackle these opportunities and challenges, respectively, it is recommended that the cooperative promotion offices at the District and Zonal levels, and if needed, at the Regional and Federal levels, among other stakeholders, should provide regular and continuous basic trainings on the objectives, principles and values, and functions of cooperatives to members and the general public to brainwash the negative attitude developed in the past (*Derg*) regime. Besides, to improve management efficiency and effectiveness, the respective offices and/or agencies should closely work with them and devise mechanisms which will enable them hire managers on merit basis and arrange a regular managerial skill enhancing trainings and experience sharing programs to same and the elected management bodies. Finally, the cooperatives' management body in consultation with the concerned stakeholders should also formulate some strategies helping to increase members' capital subscription and create strong linkages with the locally available lending financial institutions to address the existing capital shortfall of such cooperatives.

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CONFLICT OF INTERESTS

The author has not declared any conflict of interests.

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