

Export Marketing Practices, Problems and Prospects of Oromia Coffee Farmers' Cooperative Union in Ethiopia

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The livelihood of stakeholders, who produce coffee, depends on the effective exporting of this crop to the foreign market. The study was conducted on export marketing practices, problems and prospective of oromia coffee farmers cooperative union. The objective of the study is to assess the export marketing practices, problem and prospective oromia coffee farmers' cooperative union (OCFCU) and to identify the key factors for the success of exporting coffee through cooperatives. The data were collected through semi structured questionnaire, interview and focus group discussion. The sources of the information were primary cooperatives societies that were affiliated to the union. For the study purpose, eight primary cooperative societies affiliated to the union were selected based on purposive sampling. The result of the study also shows that the factors which influence union's export performances are competition, long duration of export document process, coffee quality, export barrier from country destinations, delay in transportation, communication barrier, lack of international market knowledge, export administrative procedures, unofficial fee in export documents processing, incapable to supply coffee in time by members, private traders intervention and delay of shipping. The regression model analysis revealed that, analysis resulted in an $R^2 = 0.293$ suggesting that the six factors "cooperative-specific characteristics, export marketing strategy, competition, management commitment, export market characteristics and product characteristics" together explained 29.3 percent of the variation in the export marketing performance of oromia coffee farmers' cooperative union OCFCU as explanatory variables.

Key Words: Export marketing, cooperatives union, problems and prospective

Background

According to a legend, Ethiopia is the country where coffee was first discovered and spread to the world. The crop plays an important role in the country's economy even today. It is heavily exported and it is estimated that 25% of the population depend directly or indirectly on coffee for their livelihood. 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. 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 farmers (Mulat and Tadele, 2001).

In this regard, Kaddar (1975) cited in Barker (1989) claims that only a few farmers understand the necessity of producing to meet the market and of finding a market for their produce. His solution to

this dilemma is to encourage the growth of cooperatives to undertake the marketing responsibilities.

To solve such marketing problems, the role of agricultural marketing cooperatives is indispensable. Ethiopian coffee farmers' dependency on international prices along with a stagnation of the rural economy puts farmers in a vulnerable and exposed position.

Consequently, Ethiopian government took the initiative to establish Coffee Farmers Cooperative Unions since 1999 to manage coffee export business on behalf of primary coffee cooperatives that lacked human resources and logistical capacity (Dessalegn, 2002). As a result, today coffee farmers are in a situation where lack of information and infrastructure make them victims of market failure such as creation of cartels (Milford, 2004).

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Considering their weak financial condition, it is too early to judge the sustainability of the cooperatives because international prices have been high recently, and it is not yet clear how they would survive (Kodama, 2007).

For this reason, to achieve success in export markets due largely to the multiple indicators such as environmental factors especially in foreign environments, managerial characteristics and marketing strategies of firms. Improving the understanding of these factors impacting export performance is an important strategic concern in view of the rapidly changing global scope of business. The general objective of the study is to assess the export marketing practices, problems and prospects of Oromia coffee farmers' cooperative union and to identify key factors for the success of exporting coffee through cooperatives. Therefore, this study examined the effect of above mentioned indicators on export performance of OCFUCU.

Review of Related Literature

Measuring Export Performance

The primary cooperatives are not having adequate capital base, and other resources to establish full-fledged export marketing system. The primaries can act as agents of the Unions to pool the coffee and transport them to be exported by the Unions. The Federation at the National level can undertake the export marketing activities such as identification of potential buyers, branding, packaging, transportation and fulfilling all other export marketing functions. (Veerakumaran, 2007).

According to ICO (international coffee organization) annual report 2006/7 In Africa, coffee production experienced a slight recovery in crop year 2006/07; despite the difficulties that continue to affect producers in a number of countries, an increase of 7.8% was recorded. Africa's share in world production for crop year 2006/07 was 11.5%. Ethiopia continues to be the region's leading producing country (4.6 million bags) followed by Uganda (2.6 million bags) and Côte d'Ivoire (2.5 million bags).

The objective of marketing cooperative is to bring together relatively small amounts produced by the individual growers, to sell them to the wholesalers or the exporter at the best obtainable price. The producer does not himself have to worry about disposing of his produce; by bringing together the small lots of the separate producers can both exercise a greater influence on price and take for itself the profit which would otherwise go to the middleman or dealer. (Doore, 1994)

In the international literature, the relationships between firm size, age of firm and export performance are not clear. By Bilkey and Tesar (1977) and Czinkota and Johnston (1983), export performance has not been found to be associated with these characters. Many researchers claimed that a firm's export experience (export age) improved its export performance through the enhanced ability to solve export problems and exploit export opportunities (Dominguez and Sequeira, 1993; Seringhaus, 1988; Dean et al., 2000). Contrarily, some researchers stated that there was negative relationship between export experience and performance because the less experienced firms have greater pressures concerning the achievement of higher export performance (Cooper and Kleinschmidt, 1985; Ursic and Czinkota, 1984).

According to Jain and Tucker (1995) and Lee and Yang (1990), the management's particular orientation may impact the organization's export performance. One of the important factors determining the firm's export success is the level of management commitment (Cavusgil and Kirpalani, 1993; Cavusgil and Nevin, 1981; Zou and Cavusgil 1996, Madsen, 1989). Koh (1991) cited export performance determinants such as manager's motivation, level of effort, manager education, extent and frequency of market research and manager's perception of product uniqueness. Manager education level and general management skills were identified as export performance determinants (Axinn, 1988; Bilkey, 1978).

It is clear that the environmental features act the management decision to introduce, develop and maintain exporting activities. The environment may weaken the effectiveness and competitiveness of firm's all activities. The complexity and dynamism of export environment probably influence export operations as a result of different customer preferences, varying national and local laws, differences in reliability of transportation and communication systems and domestic competitive advantages/disadvantages (Raven, et al., 1994). By Cateora (1996), the environment was arranged in two groups as socio-cultural or political environment. Also, the relationship between these dimensions of environment was advanced to be negative, because they may represent entry barriers to new markets. Adams and Hall (1993) found that country specific factors affected export performance, while personal factors were relatively more important. Zou and Cavusgil (1996) point out that other factors apart from the external environment have an impact on strategy and performance in global setting and therefore an understanding of the impact of external factors should be combined with an understanding of internal organizational characteristics. The very little compared with external

environment research were done that examines the relationship between domestic environmental factors and export performance. For example, Beamish (1993) and Cavusgil and Zou (1994) founded negative relationship between domestic environment and export performance. According to Bourgeois (1980), the environment can be conceptualized as general and task environment.

Methods

Data collection methods were survey questionnaire, interview and focus group discussion, which were used to collect primary data. For the interview and focus group discussion, the key informants that are working in coffee marketing officials were purposefully selected. Particularly, the interview was held with the general manager, vice general manager and sales manager of the union. In addition, Six FGDs were held on specific topics with management committee of members of affiliated primary cooperative societies. Moreover, four (4) key informants were interviewed with those people who have long experience and knowledge about the topic under consideration. Furthermore, survey questionnaire was designed for the members of the union and translated to Afaan Oromo language to assess their reaction towards the export activity.

The union was purposely selected for study work, considering its rich experience in export marketing since 1999. The union has currently 200 primary cooperatives which are widely spread throughout the Oromia region. Out of this, 129 primary cooperatives whose membership is five years and above are identified to be the universe of the sample frame. Out of these eligible members of the union, eight primary cooperatives (5%) were selected on simple probability proportion to size (PPS) method for study. From eight (8) primary cooperatives which have total individual members of 6256 again 3% or 125 of them are chosen based on C.D Kotheri (2004) sample size determination method. As a result, 125 sample respondent was taken (n=125).

In this study, the researcher employed both quantitative and qualitative approaches from mixed paradigm. In this case, multiple linear regression analysis was used to identify factors affecting the export marketing practices. Quantitative approach was also used to produce statistical data (the amount of coffee exported, the price of coffee, transaction costs, amount of coffee supplied by members to un-

ion, revenue generated through export activity and other related quantitative aspects).

Results and Discussion

Export marketing practice of Oromia coffee farmers' cooperative union

According to discussant (general manager of the union) Oromia coffee Producers cooperative union has been exporting coffee to the world market and benefiting from the fair trade coffee sales since its establishment and it has more than 10 years export experience. The OCFCU produces 230,209 tons of coffee annually, with 30,415 tons produced organically (document of union). According to one key informant, the union has been enhancing the socio-economic development of the society in particular and the country in general. The oromia coffee is exported to Europe, USA, Japan, Far East country, Canada and Australia by OCFCU. The following data discussion shows us the general export marketing practices of the union for the last five years presented here under from secondary data². Amount of coffee exported by union for the last five years.

As the Table 3 indicates, the union's export volume increases from year to year except in 2010 in which coffee sale amount decreased from the previous trend. However, the sale value in birr was the highest in the year. This was supported by interview made with vice manger of the union as unexpected raise of coffee prices on global market was the main reason. The highest and the lowest export volume were seen in 2009 and 2006 years respectively. The sale value in terms of birr earned from sale of coffee increases from 2006-2010 years. When we see the coffee exported for the year 2006 the union export 3182.3 ton of coffee for \$14068502 and in the year 2010 the amount of coffee exported was 4889 ton for \$ 1848330.8, this tell us as the time change the price of coffee also changes even though the amount of sale volume decrease, the sale price increase due to the demand of coffee increase in the global market. OCFCU has been exported the total coffee of 2037.1 tone for the last five years. From total export of the year 2006, 2068,100 KG were washed coffee and 1064110 KG were dried coffee which was sold to \$9,864,538 and \$4,222,964 respectively. From the total coffee exported in the year, washed coffee holds 66% while dried coffee holds only 34% of the export.

Table .3 Amount of coffee exported by union for the last five years(2006-2010)

Year	Unit of measurement	Sales volume	Sales value in ETB
2006	Ton	3182.3	86,644,278
2007	Ton	3248.2	102,725,628
2008	Ton	3598.8	136,392,056
2009	Ton	5398.8	270,496,542
2010	Ton	4889	295,733,293
Total	Ton	20317.1	891991797

Source: Annual report of the union

Net surplus OCFCU get from coffee exported for last five years

The Table 4 confirms that the net surplus of the union increased from year to year. The highest net profit was recorded in the year 2010 and the lowest profit was recorded in 2006 year. The total net profit the

union earned from coffee export for the last five years was total 150149423.37 birr. From this, it is possible to understand the export marketing practice of coffee resulted in increment of the net surplus and the union is on good condition in getting profit from the export activity.

Table .4 Net surpluses from coffee export for five years

Years	Net surplus in ETB
2006	6865844
2007	13933097.29
2008	23,423,228.08
2009	44,758,339
2010	61,168,915
Total	150149423.37

Source: Annual report of the union

Type of coffee exported by OCFCU to foreign market in the last five years

OCFCU exports different types of coffee for international market. The major coffee type was classified as washed and unwashed type (dry coffee). This classification was based on whether that coffee has been undertaking washing or not by union. Another classification of coffee was based on the rank that coffee has based on their quality. These are yirgacheffe-2, sidama2, 4, 5, limmu2, jimma 4, 5, Harer 4, 5, and Nekemte2, 4, 5. Accordingly, these types of coffee were exported for the last five years. These coffees again grouped under washed and dry coffee type during export time.

The Table 5 reveals, in the year 2006 washed coffee sold holds the share of 61.45% while unwashed coffee holds 38.55%. In year 2007 washed coffee sold holds the share of 65.9% and unwashed coffee 34.1%, in the year 2008 washed coffee holds 68.4% and unwashed coffee take 31.6%. Finally in

the year 2009 washed coffee share 73.7% and unwashed share 26.3% and in the year 2010 washed coffee 74.2% and unwashed 23.8%. As the result shows us, for the whole five years the total of washed coffee exported was higher than that of unwashed coffee. As to their price washed coffee took 69.69% and unwashed coffee holds 30.31% in the last five years.

As document of the union depicts the type coffee the union supply to the market was classified as washed and dried coffee. These coffees were exported to global market and sold for the last five years accordingly. Depending on this condition from the total coffee exported in the years' (2006-2010) organic and fair trade coffee, fair trade coffee, organic coffee and conventional coffee holds the shares of 61%, 11%, 6% and 22% respectively. The result show as, the most coffee exported by the union is organic and fair trade coffee. It is evident from the interview with key informants most of members of the union produce organic coffee.

Table -5. Type of coffee exported from 2006-2010

S.no	Type of coffee	Coffee exported for the last five years in terms of KG					Price in USD
		2006	2007	2008	2009	2010	USD
1	Washed						
1.1	Yirgachf2	907,080	4,548,200	554,580	2,683,935	134,100	724,310
1.2	Sidamo-2	638,100	3,012,237	433,800	2,052,343	26,400	134261
1.3	Limmu-2	296,400	1,172,825	269,400	1,045,840	27,000	117,260
	Total	1,841,580	8,733,262	1,257,780	5,782,119	187,500	975,831
2	Un washed						
2.1	Sidamo-4	472,200	1,795,184	169,200	573,020	12,000	48,942
2.2	Nakamite 5	70,800	267,515	16,800	49,260	-	-
2.3	Harar-4	317,820	1,440,691	178,920	721,374	1200	6481
2.4	Jimma-4	294,200	1,007,474	215,700	711,704	112,500	368,950
	Total	1,155,020	4,510,863	580,620	2,055,357	125,700	424,373
	G/Total	2,996,600	13244125	1,838,400	7,837,476	313,200	1,400,204

Source: Document of the union

Result from Focus Group Discussion (FGD) and Key Informants (KI)

In this part of the paper, the current marketing practice of OCFCU is assessed through research instrument: interview with key informants and focus group discussion.

To study the existing marketing practices and to identify the problems of marketing department, sales and promotional department of the union were discussed in brief hereunder.

Activities of Marketing and Commercial Department

From the interview with marketing department officer as key informant, it is possible to understand that currently the department performs the following activities.

- Controlling the entire process of sales activity in the sales and promotion
- Facilitate the condition for coffee supply.
- Undertake the supervision of the receipt, storage issue of delivery and controls of coffee quality.
- Prepares settlement of procurement matters for finance department.
- Perform the export documentation process.

From the current undertaking of the marketing department, it is inferred that the department is highly occupied with routine works. The department as the core function of the union has more paper works and

handling complaints. Every, performs and purchase requests, regardless of their value are brought to marketing manager for signature. Every customer wants to call or talk to the marketing manager and seek solution. For this key informant, another questions raised regarding the coffee export procedure she responded that even though the procedures is complex the union is the sustainable one in delivering in time for the buyers. As the order comes from the customers the union prepare the coffee for the shipment as specified on the agreement by fulfilling the entire criterion for the export. The other issue raised was price determination of coffee, the informant responded as the price of the coffee determined by Ethiopia commodity exchange authority when the union purchases coffee from members. But for the export the price was determined by international market.

The payment system for members as coffee suppliers was based on the three day average price, determined by the Ethiopian commodity exchange (ECX).

The FGD discussants agreed that order entry tasks starts whenever there is customer's request for products or service of the union. The request will then be transmitted to the store division where the availability of the product is verified.

The study revealed also the communication within this department, finance department; quality assurance service is through internal memo, face to face communication and through letters as per the regulation of the union. The activities in the sales and sales

promotion department are more procedures and rigid one. The customer's oriented needs marketing flexible procedures so that process would be easier and simple for the customers to get their needs handedly quickly.

The result of the survey also shows that the factors which influence export performances are competition, long duration of export document process, coffee quality, export barrier from country destinations, delay in transportation, communication barrier, lack more of international market knowledge, export administrative procedures, incapable to supply coffee in time, limitation of destination country, and delay of shipping.

Member's Coffee Marketing Practices

Amount of coffee supplied by each sampled cooperative society

The volume of Coffee supplied by members to the union has the significant impact on export marketing activity of union. As the volume of coffee supply increases, the volume of export sale also increases (KI). This coffee supply depends on several factors in the study area in which weather condition is the determinant one. This condition also makes the export marketing of the union to fluctuate.

Table 8. Amount of coffee supplied by each cooperative (2006-2010)

Name of society	Coffee supply of each society for the last five years the union(in kg)					Value in birr
	2006	2007	2008	2009	2010	
Ilbu	1567	1856	7389	1326	8432	932184
Babu	1890	2038	34000	59023	5937	2141653
Haro	1789	1790	1890	1972	2032	245530
Homi tabal	1700	23900	29000	2123	1920	729575
Burka Guduna	1389	2189	2309	2873	2890	311972
Sibu Ebicha	2801	2710	2190	2810	2182	318640
Hojin gudana	2178	2356	3421	3532	3567	399278
Yukir	2012	2157	2345	4521	4523	431072
Total	50652	38595	74448	94414	48563	5509906

Source: Document of cooperatives society

Normally, coffee supply change is linked to production of crop nature. Once it reaches its apex, then it decreases the next time and so on. But the great decrease in production is due to economic, agro- economic or environmental reasons.

As indicated in the above table, supply of coffee is unstable and shows variation from one year to the next year for all society. In the year 2006, the highest and the lowest coffee supply was in Burka Gudina and Sibu Ebicha cooperative society respectively. The highest and the lowest coffee supply was again seen in Homi- Table and Haro in the year 2007. From these primary cooperatives, the least coffee supplier was Haro and the paramount supplier was Babu in the year 2008. By the year 2009, the outstanding coffee supplier was Babu and the slightest amount was contributed by Ilbu primary cooperative society. Ilbu was the utmost supplier and Homi tabal was the least supplier in the year 2010. To sum up, for the last five years the supply of coffee was triple on and trickle down due to several factors like weather condition, coffee disease, private coffee traders

intervention and absence of loyalty among individual members.

As shown on the above table, as to the type of coffee supplied to the union by members, most of the respondents supplied unwashed coffee (99.2%) of while the rest sampled respondents supply (0.8%). These shows that the type of coffee most of the farmers members supply to union is in unwashed form.

Regarding the question asked for time regularity farmers supply coffee to the union, most of the farmers (77%) supply coffee to the union on the regular bases while the rest of the members supply sometimes, occasionally, and not at all 20%, 2% and 1% respectively. From this, it is possible to understand that, most of the farmers supply coffee to the union on the regular bases while the least percentage of the members did not supply coffee at all. From the members who supply coffee to the union, 64% of them got 40-60 birr per KG for the last five years, 24%, 11.2% and 0.8% of the respondents responded as they got 60-80, 80-100 and above 100 birr per kg respectively.

Table- 9. Response of the member's on coffee marketing practice

Particulars	Frequency	valid percent
In which form did you market your coffee for the OCFCU in last five years?		
Unwashed	124	99.2
Washed	1	.8
Total	125	100
If you supply your coffee to cooperative, how often you supply?		
Regularly	97	77.6
Sometimes	25	20
Occasionally	2	1.6
Not at all	1	.8
Total	125	100
If you take the coffee to cooperative, what price did you get per kg for the past five years on average?		
40-60 birr	80	64
60-80 birr	30	24
80-100 birr	14	11.2
Above 100 birr	1	0.8

As the above table revealed, from the total respondents (94.4%) responded as the union solved their market problem while (5.6%) responded as the union didn't solve their marketing problem. In addition to this, respondents were asked the way by which the union solved their marketing problem and they responded as by providing better price, by reducing transaction cost, by exporting and implementing other mechanisms, 52%, 18.4%, 17.6%, and 12% respectively. From this, it is possible to understand that the union solved the marketing problem of its members to some extent by providing some techniques.

Respondents were asked whether they were storing their coffee, which forms of coffee, how they were storing and what advantage did they obtain from storing practices. Among the respondents, only

95.2% of them were stored their coffee and they stored in both forms of coffee as the proportion of dried coffee (88%) and red cherry (12%). The respondents also confirmed that the time elapse of storing for red cherry was less than one day and it was extended for more than three months for dried cherry. The systems utilized for storing were either storing the coffee beans by filling in the bag (83.67%) or storing simply the beans in the store (16.33) it was reported. The reason of storing coffee was aimed to obtain higher price in later time (75.2%), absence of demand (9.6%), saving purpose (15.2%). The respondents were asked if they were sold as they expected and only 20.83% of them were sold as they expected.

Table -10. Problem solved by the union, coffee stored and reason for storing coffee

Particulars	frequency	%
Problem solved by union for market faller		
yes	118	94.4
No	7	5.6
How the problem solved? by		
Providing better price	65	52
Cost minimization	23	18.4
Exporting	22	17.6
Others	15	12
Coffee stored by members		
Yes	119	95.2
No	6	4.8
Form of coffee stored		
Dried cherry	110	88
Both types	15	12
Way of storing		
In the store with bag	105	83.67
In the store simply the beans	20	16.33
Reason for storing		
Expecting higher price	94	75.2
Lack of market demand	12	9.6
Saving purpose	19	15.2
Did you sell at higher price as you expected		
Yes	27	20.83
No	98	79.17

Problems faced by members and solution for the problems

Marketing problems are factors that cause market inefficiencies. Market inefficiencies will lead to hosting unsatisfied customers, or members for the cooperatives, and high marketing costs. In this study, sampled farmers were asked about the presence and types of marketing problems. Out of the total respondents, 90% of them reported as they faced marketing problems.

The types of marketing problems they faced were reported as from the most to the least problematic factor was observed as under. Coffee price fall (84%), transportation(41.67%), theft (38.4%), price

setting (26.4%), credit (27%), market information(24%), scaling/weighing (23%), operational/management know-how (20%), loan repayment (9.6%), packing materials (1.67%), storage (1.67%), grading system (1.67%) and double taxation (1.67%) were subsequent marketing problems of the farmers in the study area. The result points out that, the dominant problems rest on the price fall and instability of coffee price followed by transportation that expressed, as it was unavailable and/or expensive. Theft and price setting problems was also the next prevailing problems that was expressed by the farmers as matured coffee cherries were collected by thieves during the night and price was decided without the knowledge of the producers respectively.

Table -14. Distribution of sampled members' households by coffee marketing problems

Particulars	Total sample (n=125)			
	Yes		No	
	N	%	N	%
Is there marketing problems	113	90.00	12	10.00
Types of marketing problem faced				
Transportation	52	41.67	73	58.33
Credit	34	27	91	73.33
Packing materials	2	1.67	123	98.33
Market information	30	24	95	76
Storage	2	1.67	123	98.33
Grading system	2	1.67	123	98.33
Loan repayment	12	9.6	113	90.4
Theft	48	38.4	77	61.6
Operational/management know how	25	20	100	80
Labor shortage	0	0	125	100
Coffee price fall	105	84	20	16
Double tax problem	2	1.67	123	98.33
Price setting	33	26.4	92	73.6
Scaling/weighing	28	23.4	97	77.6

Perception of the respondents on current performance of the OCFCU

The result of perception of respondents on current performance of cooperative union is depicted in table-19. The overall analysis shows 78.4% of the re-

spondents said that current performance of the OCF-CU is good, whereas 21.6% said its performance is not good. It is evident from key informants and focus group discussants the reason for the good performance was the high management commitment.

Table -19. Perception of respondent on current performance of the union

Current performance	n=125	
	frequency	%
Good	98	78.4
Not good	27	21.6
Total	125	100

Perception of the respondents on future performance of the union (OCFCU)

As per table 20 over all analysis shows that 71.5% respondents said that future performance of the union

will be excellent, 21.6% very good, 5.6% good, 1.6% fair and 0.8% poor. The result indicates that more than average number of the respondents said future performance of the union will be excellent in export marketing.

Table -20. Perception of the respondents on future performance of the union

Future performance	frequency	n=125 %
Excellent	8	71.5
Very Good	27	21.6
Good	7	5.6
Fair	2	1.6
Poor	1	0.8
Total	125	

Regression analysis

Foreign markets increasingly have become more viable in the past two decades; therefore, it is important to identify the key factors influencing the export marketing performance of export market ventures.

A multiple regression analysis was conducted to examine the relationship between the export marketing performance of OCFCU as a dependent variable and the six factors: “firm specific characteristics”, “export marketing strategy”, “competition”, “commitment”, “export market characteristics” and “product characteristics.” The results of the multiple regression anal-

ysis are shown in table 21. The analysis resulted in an $R^2 = .293$ suggesting that the six factors “firm-specific characteristics”, “export marketing strategy”, “competition”, “commitment”, “export market characteristics” and “product characteristics” together explained 29.3 percent of the variation in the export marketing performance of OCFCU as explanatory variables. The results also show only four factors – “competition”, “commitment”, “export market characteristics” and “product characteristics” as having a significant influence on the export marketing performance of OCFCU.

Table .21 – Multiple Regression Analysis

Variables	coefficient	T- statistic	sig T	significance at .5
union-Specific Characteristics	.126	1.525	.130	No
Export Marketing Strategy	.024	0.286	.775	No
Competition	-.316	-4.327	.000	Yes
Commitment	.197	2.501	.014	Yes
Export Market Characteristics	-.201	-2.635	.009	Yes
Product Characteristics	-.401	-5.004	.000	Yes

R2 = 0.293 n = 125

Implication from the Regression Analysis

The four factors contributing significantly to the export marketing performance of OCFCU were competition, commitment, export market characteristics and product characteristics. The four variables together accounted for 29.3 percent of the variation in the union’s export marketing performance. Firm-specific characteristics and export marketing strategy were found to have no effect on the export marketing performance of the union.

As far as union-specific characteristics were concerned, this study clearly indicated that it is important for managers of union to be aware of their – specific characteristics that can influence the export’s marketing performance. The dimensions of union-specific characteristics identified here confirms that competence in international operations enables firms to select better export markets, formulate suitable marketing strategy, and effectively implement the chosen strategy (Douglas and Craig, 1989). When managers are committed to an export venture, they

carefully plan the entry and allocate sufficient managerial and financial resources to the venture. With formal planning and resource commitment, uncertainty is reduced and marketing strategy can be implemented effectively (Aaby and Slater, 1989; Christensen da Rocha and Gertner, 1987), leading to better performance (Aaker, 1988).

This study has also shown that it is important for manager of union to be aware of the dimensions of export marketing strategy that can influence marketing performance. The dimensions of export marketing strategy identified here confirm that supporting a distributor/subsidiary in the export market can lead to a cooperative partnership between the producers and the distributor/subsidiary.

Cooperation in the export channel will lead to effective implementation of marketing strategy and performance (Rosson and Ford, 1982). Similarly, the present study's results confirm previous findings generally that promotion adaptation can better match the firm's offering to export customers' expectations and should lead to better performance (Killough, 1978).

With regard to competition, the study findings have shown that the level of competition in an export market has a direct influence on union's marketing performance. The dimensions of competition identified here confirm the importance for the union to be price competitive in the export market it is operating in if it wishes to be successful in that export market. The union needs to be aware of this so that the export venture is not undermined by competitors. From the factor of competition identified here it appears that union were resorting to price as a competitive weapon in the export market they were operating in as a result of market pressures or higher commitment to the venture.

As far as commitment is concerned, the study findings have shown that union must make commitments to their coffee/services. By maintaining servicing its products, through the product's level of exposure in the export market, through resource commitment and through the product's level of establishment within the union. One of several constructs found to be relevant to performance in international ventures is commitment. Beamish (1988) found a strong correlation between commitment and performance in IJVs, noting that most of the commitment characteristics in the high performing ventures were related to the MNE's willingness to do something: adapt products, increase employment of nationals, visit and offer assistance, or supply special skills and resources. Therefore, the management of union needs to be committed to its products/services for successful export marketing performance.

With regard to export market characteristics, this study clearly indicated that it is important for manag-

ers of union to be aware of the market characteristics of a foreign market that can influence a union's marketing performance. The level of sophistication in the markets marketing infrastructure; the degree of adaptation required with respect to the product's packaging; the extent of government intervention; and, the degree of adaptation required for the product's positioning strategy are very important for successful export marketing performance. Firms intending to be involved in an export market venture need to be aware of the importance of these issues for export marketing performance success.

As far as product characteristics are concerned, the study findings have shown that managers of the union should make efforts to adapt their products/services to meet the needs customers to achieve success in the export marketing.

Even though the construct of export marketing strategy was not a statistically significant predictor of export performance the importance of export marketing strategy to export performance has been identified. The strategy variables identified here concern the level of support given to the union and the ability of the union to adapt its promotion strategy to accommodate the requirements of the particular export market.

Conclusion and Recommendation

For the purpose of assessing performance of coffee exporting marketing cooperatives and identification of factors influencing them, OCFCU was purposefully selected. The required secondary data was collected from relevant data sources. Annual reports of coffee marketing cooperative union were used as sources of information. Relevant primary data was also collected through formal survey of sampled farmers. Based on the summary of the major findings of the present study the researcher draws the following conclusions.

The finding of the present study revealed that union has more than ten years export marketing practices. In export procedures coffee should be first collected from members. The coffee should transport to the union's warehouse for processing purpose. Then coffee is checked for the quality based on laboratory and liquoring results. After coffee is prepared for export customers orders handling process will be carried out. Through this process union's export volume increases from year to year except in 2010 in which coffee sale amount is decrease from the previous trend. However, the sale value in birr was the highest in the year. This was due to unexpected raise of coffee prices on global market.

The result of the study also indicates that the total coffee exported by the union (2037.1 tones) for the last five year was insignificant when compared to the annual potential of the coffee (230,209 tones) that can be produced union. This implies that some the coffee was consumed or sold within the country. The impact of this condition leads to the loss of hard currency the union gets from the export.

As the result shows us, for the whole five years the total of washed coffee exported was higher than that of unwashed coffee. As to their price washed coffee took 69.69% and unwashed coffee holds 30.31% in the last five years.

Depending on this condition from the total coffee exported in the years' (2006-2010) organic and fair trade coffee, fair trade coffee, organic coffee and conventional coffee holds the shares of 61%, 11%, 6% and 22% respectively. The result show as the most coffee exported by the union is organic and fair trade coffee.

The finding of the study revealed also that, most of primary cooperatives in the study area were established before 1999(82.2 %) years and the rest 17.8% were organized recently. As to membership affiliation to the union all of the society becomes the members of the union within 1999-2008 G.C.

For the last five years the supply of coffee by members was triple on and trickle down due several factors like weather condition, coffee disease, private coffee traders intervention and absence of loyalty among individual members which makes supply of coffee volume was insignificant.

As to the type of coffee supplied to the union by members, most of the respondents supply unwashed coffee (99.2%) of while the rest sampled respondents' supply (0.8%) dry coffee. This reveals the union should undergo the coffee processing before exporting.

Most of the farmers (77%) supply coffee to the union on the regular bases while the rest of the members supply sometimes, occasionally, and not at all 20%, 2% and 1% respectively.

From the members who supply coffee to union 64% of them got 40-60 birr per KG for the last five years. 24%, 11.2% and .8% of the respondents responded as they got 60-80, 80-100 and above 100 birr per kg respectively. From this it is possible to conclude that members are getting better price from union during study period.

From the total respondents (94.4%) responded as the union solved their market problem while (5.6%) responded as the union didn't solve their marketing problem. They responded as they union solve by providing better price, cost minimization, by exporting and by other mechanisms, 52%, 18.4%, 17.6%, and 12% respectively. This implies the union is in position to solve marketing problem of members.

The results of the multiple regression analysis are show. The analysis resulted in an $R^2 = .293$ suggesting that the six factors "union-specific characteristics", "export marketing strategy", "competition", "commitment", "export market characteristics" and "product characteristics" together explained 29.3 percent of the variation in the export marketing performance of OCFCU as explanatory variables. From these factors only four factors – "competition", "commitment", "export market characteristics" and "product characteristics" as having a significant influence on the export marketing performance of OCFCU.

Problems of the Union

It is important to identify OCFCU constraints in order to understand the union's decline and develop action items to counter the current trend. Some of these constraints are direct and some are indirect. Addressing any of these issues will have a significant positive effect.

Information transfer from exporter upstream to producer is poor and adversely affects quality. There is a lack of traceability required by high-priced specialty coffee buyers .From the current undertaking of the marketing department, it is inferred that the department is highly occupied with routine and complex works.

According to the marketing audit, core marketing activities were non-existence or at insignificant level. No regular customers and competitor's analysis, marketing share is not known both within the countries and outside the countries, no having a clear objective for the marketing mixes and forecasting practices for orders from customers were other problems. Finally, the result from the audit revealed that the vision and the mission statement of the union are not clearly understood by the working force. More over customers and competitors analysis was not conducted on regular bases because of high turnover of the initiators.

Not only this export barrier from country destinations, delay in transportation, communication barrier, lack of international market knowledge, barrier of entering international market, export administrative procedures, inefficient production cost, incapable to supply product in time, limitation of destination country, time limitation in cargo, and delay of shipping.

Future prospects of the union

As per the study conducted, the union has the following prospects.

The demand for coffee has been increasing on the world market; this can be the impending factors for exporting more coffee to the market. The union has established one modern processing machine in Galan town, this will be expected to increase the quality of coffee which is predictable to increase sale volume of the export. The union also has a plan, to plant one processing machine for each four primary cooperative nearby the society. This will also create another opportunity for improving coffee quality which will attract more of coffee importers to the union.

Recommendations

OCFCU is known to have the capacity and the facilities to produce more of coffee within the country that could be competitive in the market. However, to survive under the present free market economic policy of the country, the union needs to increase its capacity in export marketing to become more competitive. To effect this achievement, problems identified in the study should be given due consideration.

- The result of the study also indicates that the total coffee exported by the union (2037.1 tons) for the last five year was insignificant when compared to the annual potential of the coffee (230,209 tons) that can be produced by union members. This implies that some the coffee was consumed or sold within the country. Therefore, the union should follow up and encourage the members to supply coffee to the union without any interruption
- The union should choose rational marketing as a working principle of marketing function with customer focused strategy.
- Oromia farmers produced more surplus of coffee per capita than other regions coffee producers. If this significant amount of coffee could be supplied to the market, a good source of income can be created for the inhabitants. There is a need to strengthen extension activities to increase coffee production in the area and to change the attitude of farmers toward coffee supply on time. The establishment of coffee processor machine and marketing infrastructures would encourage them to change these trends. Hence, support must be given to improve the attitude of inhabitants through awareness creation.
- The interactive marketing performance should be improved, i.e. all the functions of the union should be integrated to support each other to satisfy the customers.
- Develop an intelligence system focusing on customers' satisfaction and customer's needs and wants. The union is practising little promotional

activity through the manager tour of the world in searching potential buyer's coffee. For this regular visit of customers, workshops, trade fairs and bazaars are some of recommendable activities that the union needs to have, to build confidence of customers and to have a working knowledge of the business.

- With respect to the complain or the negative attitude towards the terms of payment of the cooperatives to their members observed in the result, the best solution could be, strengthening the financial sector within the cooperatives sub sector i.e., organizing cooperative banks that enables the cooperatives capable to effect timely product purchase and immediate payment for the cooperative members.

To sum up, all the problems indicated above, in one way or another related with or could be addressed through collaborative and deliberate action of both the members and government. So, from the members' side, high commitment as a principal stakeholder and sense of ownership is needed. From the government side, creation of conducive environment through formulation of sound cooperative policy that creates competitive cooperatives which is enough to satisfy their members and customers is necessary.

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