

# **Agricultural Cooperatives in Ethiopia (ACE)**

## **Year 2003 Annual Programmatic and Financial Report**

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**Submitted**

**To**

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## ACRONYMS

<b>ACE</b>	Agricultural Cooperatives in Ethiopia Project
<b>ACE-Oromia</b>	Agricultural Cooperatives in Ethiopia Project in Oromia Region
<b>ACE-Amhara</b>	Agricultural Cooperatives in Ethiopia Project in SNNP Region
<b>ACE-Tigray</b>	Agricultural Cooperative in Ethiopia Project in Tigray Region
<b>CPB</b>	Cooperative Promotion Bureau
<b>CPO</b>	Cooperative Promotion Office
<b>DKT/Ethiopia</b>	NGO working on social marketing and an implementing partner
<b>DPPC</b>	Disaster Prevention and Preparedness Commission
<b>FEWS</b>	Famine Early Warning System (USAID)
<b>LGF</b>	Loan Guarantee Fund
<b>M &amp; E</b>	Monitoring and Evaluation
<b>NRM</b>	Natural Resource Management
<b>SCC</b>	Saving and Credit Cooperative
<b>TA</b>	Technical Assistance
<b>ToT</b>	Training of Trainees
<b>USAID</b>	United States Agency for International Development

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**Annex:**

*Financial Report*

*2003 ACE*

## *Program Highlights*

The cumulative achievements of ACE over its life show significant impacts.

- A strong and growing agricultural cooperative system has been established in the four largest regions of Ethiopia. The cooperatives are becoming a force in rural civil society.
- Unions and cooperatives have made increasing dividend payments to their members of \$331,241 in 2001, \$479,420 in 2002 and \$701,147 in 2003.
- Cooperatives have contributed substantially to input supply and crop marketing in spite of poor weather, drought and the elimination of private importers of fertilizers.
- Cooperative unions in surplus areas have successfully used large scale, sales agreements to traders and other institutional buyers for teff, wheat, maize, sorghum, beans and other products.
- Coffee Cooperative Unions are directly exporting their member cooperatives coffee to specialty buyers in Europe, the U.S. and Japan for prices well above the NY “C” market. Additionally they have gained Fairtrade registration and organic certification realizing premium prices of more than double world market price.
- ACE has built Cooperative and Union capacity such that USAID could establish a loan guarantee program with the Bank of Abyssinia to provide credit critical for crop purchases and marketing operations. A total of 40 million Birr was extended to the cooperative system under the program with 100% repayment over the four years of the program.

Our 2003 work plan called for a step-up in program activity with a focus on the provision of enhanced business development skills directly at the cooperative level through strengthening market linkages in the key commodity areas of cereals, coffee, horticulture, livestock and dairy. However planned budget levels were unavailable due to a cut back in USAID funding for the sector as a whole as resources were directed toward drought and food relief program requirements. ACE funding was at about 50% of the planned budget for program activities. Additionally, we were instructed to adjust our field program to ensure that these funds would cover operations until June 2004 – an additional six months of activity to be covered with the reduced funding.

In spite of these cutbacks in field operations in 2003, ACE achievements during the year were strong.

- In 2003, unions strengthened their financial management and capital planning, human resource development, and accounting capacities. Eight volunteers and one consultant were fielded to assist in the delivery of training and mentoring to

- build this capacity. Additionally Regional Cooperative Promotion Bureaus provided technical assistance to help strengthen internal controls and auditing systems.
- All of the core 25 unions have been computerized and training for the accountants and managers were given to enable them to operate automated data and accounting systems.
- For the first time, unions in Oromia have been audited by private firms moving away from the dependency on government auditing. The audit reports revealed that the unions were managed on sound financial management with good returns to members.
- Another first was that the Ambo Union exported 342 tons of niger seed to the USA to be used as wild bird feed. This has opened the door to a major export opportunity.
- In 2003, the coffee sector has seen modest improvements in the amount of unions exports directly to Europe, USA and Japan. The total amount exported was 3, 207 metric ton with a value of \$6.36 million.
- The Sidama Coffee Union sold 180 tons of coffee to Starbucks at \$0.80 per pound, substantially above world prices. They sent back a premium of \$91,270 to the Union because of the coffees outstanding quality. A total of 4,688 small-scale producers benefited.
- The Dairy Cooperative Union showed a profit of 117, 000 Birr for the first time since establishment.
- The study to establish a national federation for cereal cooperatives and unions was completed in draft and discussions on its formation initiated.
- ACE program interventions facilitated the expansion of the number of Savings and Credit Cooperatives from 42 to 81. Their operations are now capable of supporting the formation of a SCC union in Oromia. Through intensive training of cooperative promoters during the year, we are now set to scale up the number of SCC in our target regions to reach a substantial number of small farmers and rural residents.
- VOCA/Ethiopia with ACE funding provided training on HIV/AIDS prevention and care using the cooperative system as an outreach channel. Partnerships with DKT/Ethiopia and Regional Health Bureaus have made this training possible. A total of 898 directors of unions and cooperatives and 28,858 farmer members participated in HIV/AIDS intervention program.



Cooperative Farmer

## 1. PROGRAM DESCRIPTION

The ACE project is an extension and expansion of the Cooperative Union Project in Oromia to cover four regions, namely, Oromia, Tigray, Southern and Amhara for the period of five-years (2000 – 2004). The project assists in achieving rapid rural development in the regions. The development and promotion of modern, business-oriented cooperatives operating under free market principles is aimed at contributing to greater food security. Improving access to markets and increasing incomes for members, cooperatives contribute to sustainable improvements in the food security of rural households and the commercialization of small-scale farmers. This supports both the Government of Ethiopia's and the Regional Governments' goal of ensuring food security through an agricultural-led industrialization strategy.

The specific objective of ACE is to enhance the capacity of cooperatives to contribute to increased income for rural households. This is directly in support of USAID/Ethiopia's RHPP Strategic Objective: Rural Household Production and Productivity Increased. Although USAID/Ethiopia is in the middle of developing a new strategy in early 2004, the RHPP objective strategically guided the ACE program throughout 2003.

The capacity of producer-owned cooperatives is being upgraded through the following linked interventions:

1. The development of a three-tiered cooperative sector including primary (producer-owned), secondary (cooperative-owned) and tertiary (federations at

- the national level) cooperatives operating on principles of sound business management, market-orientation and democratic governance;
2. Upgrading the organizational and business skills of cooperative members through classroom and hands-on training and technical programs;
  3. Upgrading the skills of cooperative promotion staff to support the cooperative movement and improve the efficiency of agricultural markets;
  4. Formation and technical support to Saving and Credit Cooperatives (SCCs);
  5. Support to participating cooperatives for business diversification; and
  6. Programs to mitigate the impact of HIV/AIDS on cooperatives and their members.

## **2. GENERAL ECONOMIC AND POLICY ENVIRONMENT**

### *2.1 Economic Environment*

The overall performance of the economy in 2003 was greatly slowed by the 2002/2003 droughts and its aftereffects. All sectors of the economy performed poorly but agriculture was most seriously affected. Shortage of rain resulting in a continuous dry spell from the spring of 2002 exacerbated the agricultural downturn and further upset the fragile nature of the sector. ACE work was affected by the poor overall performance.

The poor performance of the economy cut across the other sectors such as trade and industry and arrested the country's effort to generate revenue through strategies laid out in the Agriculture Led Industrialization Policy of the Government of Ethiopia.

Further, foreign investment in the agro-industry sector was dismal. The ability of the country to attract meaningful foreign agriculture and agro-industrial investment is still low for Africa and below what is needed to have an impact on agricultural growth.

### *2.2 Drought and Agricultural Production*

The humanitarian crisis of 2003 was wide spread. In total, 13.2 million people (19% of the population) required emergency food assistance. While immediate causes were related to poor rains in 2002, causing widespread harvest failures and severe pasture and water shortages, long-term processes are also relevant. Against a backdrop of overwhelming rural poverty in the households and the community, the margin of safety from climatic shocks has diminished. This combined with high population growth and a lack of significant off-farm income earning opportunities has increased the number of potentially food insecure to about 30 million, over 43% of the population.

Although the overall performance of the 2003 belg rains was good, many belg producing areas of Tigray, Amhara, Oromia and SNNPR received untimely and erratic rains and storms resulting in below-normal crop production. In pastoral areas, especially Afar, Shinile, Warder and other parts of Somali Region, the erratic distribution and insufficient amount of rains led to a continuation of water and pasture shortages. To avert the crisis collective action and unprecedented donor and public response throughout the year 2003

prevented widespread famine-related mortality. In total, donors contributed over 1.7 million tones of cereal, pulses, oil and blended food.

Prospects for 2004 are comparatively good due to a near-normal meher season (June-September 2003) in most parts of the country. Thus, projections for humanitarian requirements for the coming year have been reduced significantly. Yet the underlying structural problems, alongside localized shocks (climate, pests, malaria) and the continuing impact of poor terms of trade for coffee remain a challenge for the future.

### 2.3 *Policy and the Environment for Agricultural Growth*

The GOE has made serious efforts to issue policy to promote rural development, poverty alleviation and the commercialization of agriculture. Its overall strategy of sustainable development and poverty reduction is praised by donors. Its most recent joint efforts with donors to create a New Coalition for Food Security Programme are commendable. The challenge remains lack of capacity and a weak understanding and trust in markets and private sector development.

Farmers still operate without sound market information, good storage, strong transport and an adequate roads system. As a result, the markets are poorly integrated. Regional price differentials are very large and temporal price differences exaggerated. Serious market failures cut across the agricultural sector. The lack of effective demand by the 13.2 million people that faced food insecurity this past year only worsened the market failures in agriculture.

The banking sector remains closed to international banks and rural financial systems are minimal. Farmers rely on government led credit programs with the USAID Loan Guarantee Fund (LGF) Scheme implemented in collaboration with the Bank of Abyssinia being the only significant private source of marketing finance. This facility has greatly helped Cooperative Unions in the country to purchase cereals and coffee. However, the LGF facility is enough to meet only a fraction of the financing needs of primary societies and unions within ACE.

Despite a decline in the use of fertilizer and hybrid seeds, the *meher* harvests this year are expected to be close to normal. The rain condition during the last *kremt* was favourable for pasture growth and replenishment of water in most *meher* benefiting woredas. Accordingly, the physical condition of livestock has been improving due to the improved supply of pasture and water. But the effect of the recent drought still remains in some parts of the country. While cereal prices in most markets in the country typically start declining soon after the start of the main *meher* harvest in late September, prices have remained stable and relatively high.

### 3. ACE ACTIVITIES AND RESULTS

In 2003, ACE activities were budgeted at about \$3.5 million of which USAID funding was approximately \$3.1 million. However, 2003 funding for ACE activities was reduced by USAID to \$1.4 million. Thus, the funding was lower than expected and much of it arrived late in the year making program planning difficult. This reduction came as a result of USAID need to reprogram economic growth funds to meet urgent needs for relief, primarily seeds. To free funds for these emergency needs, ACDI/VOCA reviewed its plans and reduce activities for the year in line with its highest priorities and USAID suggestions.

#### *3.1 Training, Mentoring and Technical Assistance*

The shift to more business oriented training and advanced skills to operate cooperatives as businesses continued this year with only basic training continuing in member roles and responsibilities. In the 2003 training and TA were given to 93,393 farmer members in marketing, roles and responsibility of members and other relevant topics to cooperative business operations. Fifty board members of primary cooperatives and ten from unions were provided with technical assistance and mentoring in business skill development. A total of 262 primary cooperatives' bookkeepers were trained in accounting. The business enhancing modules of financial planning and credit management, human resources management and irrigation management were given to 78 union managers and regional cooperative promoters. Training and TA in saving and credit cooperative (SCC) management were also given to 140 board members.



Induction of newly elected Board Members

This training was provided by a combination of cooperative promotion bureau staffs, outside consultants and ACE volunteers and consultants. The managers and cooperative promoters were trained by volunteers and consultants, who trained cooperative board and general members. Eight volunteers and two consultants provided mentoring and training in financial management and capital planning, human resource development, water use associations and irrigation.



Farmer Training

In the coffee sector, one ongoing objective is strengthening the capacity of coffee primary and union cooperatives. ACE fielded two consultants who focused assistance on coffee marketing and coffee cupping and liquoring. The training was given at the primary cooperative and farm levels in Sidama. Resulting from this assistance, a plan was initiated to build capacity of the primaries to cup their coffee as a measure and check of quality. The Unions are in the process of establishing coffee cupping labs. A coffee cupper is being trained at the CTA liquoring lab for each of the Unions.

A total of 65,508 farmers were also trained on the steps and actions needed at the farm level to ensure coffee quality. Three CTA staff has been trained by our volunteers and regional cooperative promotion bureau field agents provided the bulk of the training who have been trained by our volunteers.

Training and technical assistance efforts supported the Selale Dairy Cooperative Union to upgrade its operational capacity. Twenty-five dairy farmers, union managers and board members were given training at Debre Zeit Dairy Institute in milk processing and

handling. This has helped the union to increase its operational efficiency and enhance production capacity.

### 3.2 Market Linkages

ACE focused on coffee linkages this year. Coffee unions continued to have successful market linkages and relationships with locally based agents and other buyers. The unions have also created business relationships with international companies like VOLCAFE based in Switzerland, Alloys Dallamayr in Germany, Nestle-Japan, Nestle Espressos (Capsule Coffee) in Europe and Starbucks. The unions have continued to attend and actively market their coffees in international conferences and meeting. For the fourth year in a row union managers have attended the Specialty Coffee Association of America annual exhibition, which is the largest gathering of specialty coffee buyers in the world. Largely based on the initial meetings at the SCAA exhibitions, cooperative grown coffee has been sold to Green Mountain, Royale California, Elan Organic, Royale NY, Cooperative Coffee, and Volcafe Speciality – Fairtrade. The Unions have also benefited by working with the local office of a large agent from Europe to export directly to new clients. This effort also led to accessing the niche markets for organic, Fairtrade and other specialty coffee markets. The agreement that was reached between Starbucks and Farmers also secured premium price for quality production resulted in more income (\$91,000) to 4,688 farmers in Sidama

The unions have expanded their Fairtrade and organic coffee certifications. There are now 18 cooperatives certified as Fairtrade and 45 as organic and eight double labeled. Fair trade prices are set at \$1.21 per pound while organic will fetch premiums of 10 cents per pound. With prices at historic lows in the \$.50-70/pound, these Fairtrade and organic premiums are bringing the unions substantial increases in earnings, which are passed on as dividends to the farmers.

Non-coffee unions are starting to show success in creating international market linkages. The Ambo Union established a market linkage with an American brokerage firm, Inspired USA. An initial sale of 342 tons of niger seed has been made and opportunities for additional sale of niger are in the making.

The cereals markets in Ethiopia have been difficult because of the drought, low effective demand and the import of 1.7 million tons of food aid. Yet, the cereals unions and cooperatives have been able to buy cereals from farmers shortly after harvest and then return dividends to farmers later in the year after sales at higher prices. Drought shortages reduced surpluses and opportunities for this benefit in 2003. With the good *meher* rains in mid 2003, it is expected that cereal sales and resale will increase substantially in 2004.

The fact that there is little market information available to make sound business decisions also did not help primary cooperatives and unions in cereals. Recognizing this gap, unions have been trying to fill the void by acting as market information providers to their members. ACE had planned to undertake some market information activity in 2003 but it was delayed to 2004 because of lack of funding. ACE has provided the unions computers

to ease the unions' access to information. A market information mentoring exercise was also provided, on a very limited scale, to the unions and their members. The computers are currently being utilized in storage and analysis of available data as well as keeping updated accounting records.

### 3.3 Union and Cooperative Growth

Although the ACE project is now focusing on developing business operations and market linkages for the cooperatives, the number of cooperatives and membership continues to grow at a strong pace. The number of cooperatives in the ACE target area has grown by 19% in 2003 from 363 to 432 cooperatives. Table 1 below provides the details and shows an increase over the life of the project of 232%. Throughout 2003, membership of primary cooperatives to unions as well as farmer members to primary cooperatives have increased. Percentage increment of farmer membership in Oromia was 19%, Amhara 32%, South 5% and in Tigray 1%. Women membership also increased. The increase in Oromia was 23%, Amhara 37%, SNNPR 11% while no increment in Tigray. The overall growth in all the four regions for male membership was 19% but that of women was 25%. This is attributed to the inclusion of gender sensitivity in many of the VOCA/Ethiopia training programs. The increase in women membership strengthens the democratic nature of cooperatives and helps bring new perspective to cooperatives.

Cooperative sector growth slowed in 2003 to 19% as compared to 2002 figure of 61%. In 2003 ACE did not focus on cooperative growth but rather business skills and revenue generation. Yet, growth of membership was still 19%. This reflects the fact that farmers are increasingly recognizing the benefits of cooperatives and are seeking to form new cooperatives. Further, the Regional Cooperative Promotion Bureaus have the capacity to develop and register these new cooperatives. However, we recognize that they remain new organizations with the need for much training and capacity building. The union numbers have grown by only one. The exception in cooperative growth continues to be Tigray where crop production opportunities are very limited.

**Table: 1 Membership of Unions**

<i>Region</i>	<b>Total Number of Unions</b>					<b>Total Member Primary Coops</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>%*</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>%</b>
Oromia	7	10	12	12	71	87	131	176	202	132
Amhara	-	6	7	7	-	43	55	102	134	211
South	-	1	4	5	400	-	39	77	88	125
Tigray	-	2	2	2	-	-	8	8	8	-
Total	7	19	25	26	271	130	233	363	432	232

\* 2003 over the base year of 2000



Board Members Training

Turning now to membership as presented in Table 2, the picture is more or less the same as that found in primary cooperative growth. The total number of cooperative members has increased by 19%. As shown below on Table 2, total membership has increased from 427,829 at the end of 2002 to 510,285 by 19%. And out of this total number, women were 40,822 or 8%. Nearly all of that growth has come from new cooperatives rather than expansion of existing ones.

**Table 2: Members by Gender: Primary Cooperative – 2002/2003**

Region	Number of Unions		Member Primaries			Farmer Membership						
						Male		Female		Total		
	2002	2003	2002	2003	%	2002	2003	2002	2003	2002	2003	%*
Oromia	12	12	176	202	15	132,440	156,960	13,579	16,763	146,019	173,723	19
Amhara	7	7	102	134	31	129,449	170,186	11,046	15,181	140,495	185,367	32
South	4	5	77	88	14	129,895	136,183	6,982	7,731	136,877	143,914	5
Tigray	2	2	8	8	-	3,291	3,330	1,147	1,147	4,438	4,477	1
<b>Total</b>	<b>25</b>	<b>26</b>	<b>363</b>	<b>432</b>	<b>19</b>	<b>395,075</b>	<b>466,659</b>	<b>32,754</b>	<b>40,822</b>	<b>427,829</b>	<b>507,481</b>	<b>19</b>

**Table 3: Trend in Cooperative Members: 2000-2003**

Region	2000	2001	2002	2003
Oromia	56,105	105,439	146,019	185,367
Amhara	59987	73961	140,495	173,723
South	-	82275	136,877	143,914
Tigray	-	4,207	4,438	4,477
Total	116,092	265,882	427,829	507,481
% Change		+129	+61	+19

ACE has broke new ground in starting Savings and Credit Cooperatives (SCCs) outside of cities and independent of payroll deductions. The efforts to date have shown that such an approach can and do work. As compared to 2002, the number of SCCs in all regions has increased from a total of 50 to 89 with membership going from a total of 2,320 to 4,237, an increase of 83%. Out of the total membership over 21% are women (Table 4), substantially above the multipurpose cooperative figure of about 8%.

**Table 4: Saving and Credit Cooperatives (SCCs) Membership**

Region	Number of SCCs		Farmer Membership								
			Male			Female			Total		
	2002	2003	2002	2003	%	2002	2003	%	2002	2003	%*
Oromia	18	20	552	738	34	139	219	58	693**	958	38
Amhara	3	6	210	430	105	103	190	84	313	620	98
South	14	27	642	1130	76	65	136	109	707	1,266	79
Tigray	15	28	409	1,030	152	198	363	83	607	1,393	129
<b>Total</b>	<b>50**</b>	<b>81</b>	<b>1,813</b>	<b>3,328</b>	<b>84</b>	<b>505</b>	<b>908</b>	<b>80</b>	<b>2,320</b>	<b>4,237</b>	<b>83</b>

\* Percent change on total membership between 2002 and 2003

\*\* 42 Cooperatives are directly and 8 indirectly assisted by ACE



Savings and Credit Cooperatives officials' election

SCCs financial position is growing in line with its overall growth. As can be seen from Table 5, the total asset of SCCs in the four regions in 2003 increased from a total of 511,385 Birr to 1,266,041 Birr at a rate of 148% from that of the year 2002. Total capital shows similarly impressive gains of 162%. Farmers are gradually mobilizing their resources and creating rural finance to undertake different business activities.

**Table 5: Financial position of SCCs**

Region	Number of SCCs		Asset		Liability		Capital	
	2002	2003	2002	2003	2002	2003	2002	2003
Oromia	18	28	161,830	279,210	107,362	201,840	54,467	76,319
Amhara	3	6	74,885	186,670	50,127	142,780	24,758	43,891
South	14	27	161,681	273,528	116,837	205,345	44,843	68,408
Tigray	15	28	112,989	526,633	73,741	286,831	39,248	239,802
<b>Total</b>	<b>50</b>	<b>89</b>	<b>511,385</b>	<b>1,266,041</b>	<b>348,067</b>	<b>836,796</b>	<b>163,316</b>	<b>428,420</b>

\* Percent change on total membership between 2002 and 2003



- Mr. Darego Negussie is a farmer who lives in Mesawtey Keble in Enda Mekony woreda of Tigray. He had only one ox. He joined the SCC, saved and secured a loan to buy second oxen.

To increase women participation in financial activities, ACE has been mobilizing women to form women-only SCCs. Hence, a total of five women-only SCCs were formed. In Oromia three SCCs formed with a total of 94 women while two SCCs were formed in Tigray with a membership of 59. This is only a beginning but it clearly demonstrates the potential to improve the status of women through safe savings and microcredit.



- Mrs. Assiya Nuru, who lives in Northern Ethiopia is a mother of seven and head of a household. She recently joined a Savings and Credit Cooperative in her area. She saved Birr 260 and borrowed Birr 310 from the cooperative to open a Tearoom that currently supports her children and paralyzed husband

### 3.4 *Input Supply by Unions*

Input distribution, mainly fertilizer (DAP and Urea) by Unions in 2003 was constrained by the availability of the commodities to the cooperatives. The only fertilizer supplier in the country is now the parastatal, Agricultural Input Supply Enterprise (AISE). Unions had no choice but negotiate with AISE on volume and price of DAP and Urea as well as the arrangements for distribution. This process left the Unions to be price-takers as well as accept a kind of quota system on the volume of fertilizer supplied by AISE. The single supplier phenomenon in the economy means that prices are high and supply and distribution are constrained not only for cooperative farmers but all farmers.

The year 2003 has been very irregular for input business. Banks refused to extend input credit to cooperatives in the SNNPR because of arrears on previous year loans. The regional governments guarantee CBE credit for AISE supplied fertilizer to farmers. Regional governments cover defaults. SNNPR did not cover last years defaults to CBE and thus CBE refused to provide credit in SNNPR. The lack of CBE credit meant that fertilizer availability was just a small fraction of previous years.

Table 7 shows that the total value of input supply in 2003 was \$23,883,386, or 46% higher than of the previous year total of \$16,301,810. This increase reflects the low level

of use in the drought year of 2002. On balance, supply of inputs is now a poor indicator of cooperative performance under the ACE project. The Unions and cooperatives have no control over supply and cost in this monopolistic situation. The unions are price takers and are only supplied part of their demand by the monopolistic AISE. Without adequate fertilizer, the seeds and chemicals demand is constrained such that these inputs also become poor indicators of cooperative performance under ACE.

**Table 6: Input Supplied by ACE-supported Cooperative Unions**

<b>Region</b>	<b>Input Type</b>	<b>Volume Sold (Quintals)</b>	<b>Value (Birr)</b>	<b>Remark</b>
<i>Amhara</i>	Fertilizer	263,670	65,528,868	
	Improved Seed	3,481	1,580,469	
	<i>Sub-total</i>	<i>267,151</i>	<i>67,109,337</i>	
<b>SNNPR</b>	Fertilizer	<i>297</i>	<i>60,968</i>	
<b>Oromia</b>	Fertilizer	602,396	138,226,817	
	<i>Sub-total</i>	<i>602,396</i>	<i>138,226,817</i>	
<b>Total</b>		<b>869,844</b>	<b>205,397,122</b> <b>US\$ 23,883,386</b>	1US\$ = 8.6 Br

**Table 7: Value of Inputs Supplied by Unions to Members (Quintals)**

<b>2000</b>		<b>2001</b>		<b>2002</b>		<b>2003</b>		<b>% 02/032</b>	
Vol	Val	Vol	Val	Vol	Val	Vol	Val		
785,277	26,376,005	832,961	28,841,097	632,802	16,301,810	869,844	23,883,386	37	46

### 3.5 Output Marketing

Table 8 shows the three most important crops marketed by unions. The total volume was 869,844 quintals, a summation of coffee, cereals and oilseeds.

**Table 8: Output Sold by ACE-supported Cooperative Unions**

<b>Region</b>	<b>Output Type</b>	<b>Volume Sold (Quintals)</b>	<b>Value (Birr)</b>	<b>Remark</b>
<i>Amhara</i>	Cereals	35,804	5,628,057	
<b>SNNPR</b>	Cereals	3660	659,730	
	Coffee	21,609	63,976,676	
	<b><i>Sub-total</i></b>	<b><i>61,073</i></b>	<b><i>70,264,463</i></b>	
<b>Oromia</b>	Cereals	43,752*	92,091,437	
	Coffee	22,824**	46,797,004	
	<b><i>Sub-total</i></b>	<b><i>66,576</i></b>	<b><i>138,888,441</i></b>	
<b>Tigray</b>	Cereals	8,856	7,721,082	
	Oil Seed	6,688	3,204,702	
	<b><i>Sub-total</i></b>	<b><i>15,544</i></b>	<b><i>10,925,784</i></b>	
<b>TOTAL</b>		<b>143,193 quintals</b>	<b>US\$25,590,545 ETB220,078,688</b>	1US\$ = 8.6Birr

*\*Does not include sugar cane*

*\*\*Temporary pre audited figure*

The overall sales of crops by Unions have grown steadily since the start of the ACE project and represents good achievement in output sales. The total volume of sales in 2000 was \$14,435,020, which has grown to \$25,590,545 (77% increase) in 2003.

With regard to coffee the Oromia union has sold 22,824 qt of coffee at the value of Birr46, 797,004, Sidama and Yirgachefe 21,609 qt at the value of 63,976,676 Birr. The coffee unions earned higher average price prices than in 2002 in large part because of sales into the specialty markets. The price of coffee in the conventional market was \$0.50-70/lb range during the year, Fairtrade price was \$1.26/lb, organic \$0.92/lb, and specialty coffee price varied but generally fetched a price in \$1.00/lb. The price of coffee generally moved upward in the last quarter of 2003 into the \$0.70 range.



Coffee Farmer in Sidama



Sidama Coffee Farmer in her garden farm.

Selale Dairy Union is one of the unions supported by ACE project in Oromia. The union has 12 member primary cooperatives whose total farmer membership is 461 male and 66 female, a total of 527 farmers. Table 9 shows the total milk purchased and all products sold for 2003. The union has also been purchasing for its members dairy inputs such as animal feed and veterinary drugs.

The Selale Dairy Cooperative Union has shown much improvement. In the year 2002, the union was struggling. However, in 2003 the union established a marketing link to Sebata Agro Industry, or commonly known as Mama's Milk, as well as a small-scale milk distributors. These linkages have enabled to deliver milk in a timely manner to a strong local processor. This linkage has resulted in a profit of 111,609 Birr in 2003.

**Table 9: Dairy Marketing by Selale Dairy Union**

Item/Product	Purchased		Sold	
	Volume	Value (Birr)	Volume	Value (Birr)
Whole milk	1,171,561 litres	1,782,344	1,114,584 litres	2,040,758
Butter	-	-	2,816 kg	86,699
Cottage cheese	-	-	6,058 kg	19,567
Skimmed milk	-	-	8,508 kg	10,383
Animal feed	2,539 quintals	143,644	2,539 quintals	160,408
Vet. Drugs	234 packs	13,808	194 packs	15,857
<b>Total</b>		<b>1,939,796</b>		<b>2,333,672</b>



An ACIDI/VOCA volunteer training union managers and cooperative promoters

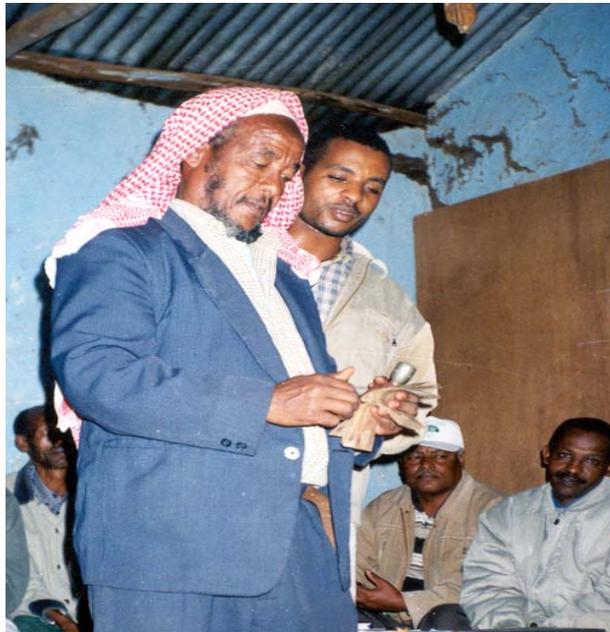
ACE is supporting the Wonji Sugarcane union that has seven-member primary cooperative with a total farmer membership of 1,026 male and 314 female (1,340 members). This union has supplied to Wonji Sugar Factories 798,310 kg of sugarcane valued at 6,896,842 Birr (US\$801,958).



- Captain Geda Wkaeni is a member of a Boku Kurabo Sugar Cane producers cooperative. He was affiliated with the Sugar Cane union and he made Birr7, 244 in dividend.

### *3.6 Dividends Paid by Cooperatives and Unions*

In 2003, ACE assisted cooperatives made Birr 6.0 million in dividend payments. Table 10 depicts the value of dividend payment over the years. The most dramatic results were in coffee. The YirgaCheffee union allocated a total of Birr 500,500 for dividend that was distributed to 11 primary cooperatives with a membership of 20,400.



Cooperative Farmer Reviewing Dividend Payments

Similarly, the Oromia union total dividend was Birr 4,073,232 that was distributed to 23 primary cooperatives with a membership of 18, 585. Finally, the Sidama union's allocation and distribution of dividend was Birr1.33 million to 39 primaries with 82,175 farmer members.

**Table 10. Dividend payment by unions to members**

<b>Dividend</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>03/00%</b>
Birr	10,695,431	2,848,672	2,815,548	11,933,592	11.5
US	1,258,286-	331,241	479,420	1,387,627	10

### *3.7 Loan Guarantee Fund*

For the 2003, the USAID Loan Guarantee Fund was scaled up and its scope was broadened to include coffee. The available lending from the Bank of Abyssinia had been limited under the existing loan guarantee program to a maximum of Birr 10-11 million per year for the cereals unions. In late 2003, coffee unions were added and an additional Birr 4.4 million was authorized by USAID for the Bank credit program. Even with this increase, demand outstripped supply. In the year 2003 the total loan taken by the unions in the three regions (excluding Tigray) was US\$1,519,767.

This was a significant increase over previous years. The loan guarantee support has been extremely useful to the unions, as they have only limited access to credit. The plan for the future loan guarantee program to include different sectors and increase its size is welcome news to the private sector in general and cooperative farmers in particular

### *3.8 HIV/AIDS*

The justification for the ACDI/VOCA program was that there was no systematic HIV/AIDS intervention in the rural areas. Cooperatives offered a means to reach out to rural residence in a cost effective manner. The objective of the program is education and awareness creation geared towards achieving behavioral change. HIV/AIDS prevention training, which was undertaken in close collaboration with DKT/Ethiopia, has reached 27,885 farmer members, 898 board members and 75 cooperative staff members. The trainees are expected to pass the knowledge to member farmers and their families. Their activities and results will be closely monitored in 2004 to determine effectiveness.

In the 2003, ACE focused on the implementation of the HIV/AIDS program in its major operational areas. It has been implementing this factitively in collaboration with DKT Ethiopia, an international NGO with education and social marketing capabilities.



ACE has conducted an informal focus group based study on HIV/AIDS, which found the following:

- Despite the popular view that farmers do have information regarding HIV/AIDS, they do not have radios nor have access to published materials. 85% of the farmers do not know how to read and write.
- Farmers do not have the knowledge and information on how to care and support those with AIDS.
- Harmful cultural practices such as wife inheritance in some rural areas (SNNPR, pockets of Oromia) have increased the spread of the HIV.
- The spread of HIV/AIDS is affecting cooperative operations. Farmer members have died of HIV/AIDS owing money to cooperatives.
- Potential members of the cooperatives are dying of HIV/AIDS curbing the future potential of cooperative business
- HIV/AIDS affects the youth and young adults who should be the future leaders of cooperatives.



HIV/AIDS training

#### **4. MONITORING AND EVALUATIONS**

ACE monitoring and evaluation activities have been folded into overall program management as a performance monitoring system in collaboration with our cooperative partners. Their ability to collect and analyze data needs strengthening. This weakness has created problems of data quality and in systematic monitoring. In 2003, a monitoring and evaluation expert was hired by ACDI/VOCA. He has been engaged in reviewing the ways to improve the monitoring and performance system. The program to improve cooperative capacity in 2003 was delayed to 2004 because of budget constraints.

## 5. ACE Activities in 2003:

No.	Description of Activities	Oromia		Amhara		South		Tigray
		Plan	Actual	Plan	Actual	Plan	Actual	
<b>1</b>	<b><i>Business Skill Development</i></b>							
1.1	Union Board Members training on business skill development	12	-	-	-	24	10	6
1.2	Board Members training for newly formed unions on basic modules and gender	135	-	-	-	-	-	-
1.3	Primary coop Board Members training	-	-	-	-	424	-	15
1.4	Members education	63,700	27,885	-	-	79,926	65,508	9,000
1.5	Training on cooperative accounting to union/primary accountants	176	162	100	110	-	-	-
<b>2</b>	<b><i>TOT Training on business skill enhancement</i></b>							
2.1	Regional Core Team (RCT) on business enhancing modules	6	31	5	27	6	6	6
2.2	Market Information service and market linkage (RCT)	2	-	-	-	2	-	2
2.3	Market Information service and market linkage to primaries and unions	65	1*	-	-	112	2*	15
2.4	<b><i>HIV/AIDS prevention activities</i></b>							
2.4.1	Cooperative Office Staff training (TOT) on HIV/AIDS prevention	-	-	20	39	20	20	20
2.4.2	Primary coop members education on HIV/AIDS prevention	63,700	27,885	-	-	79,926	-	-
2.4.3	Primary coop Board Members education on HIV/AIDS prevention	96	-	392	429	424	334	45
2.4.4	Union board members training	24	-	60	60	-	-	-
2.5	<b><i>Natural Resources Management</i></b>							
2.5.1	Improved NRM training to coop staff and board	-	-	20	-	10	-	-
2.5.2	Improved NRM farmers training	-	-	9,944	-	10,000	-	-
2.5.3	Seedling distribution	-	-	-	-	100,000	-	-
2.6	<b><i>Saving &amp; Credit coop training</i></b>							
2.6.1	Training board and management	255	17	5	-	60	48	39
2.7	<b><i>Internal Control and Audit system installation and training</i></b>							
2.7.1	Unions (installation)	4	-	9	23	6	-	2
2.7.2	Primaries (installation)	42	-	100	-	112	78	15
2.7.3	Primary coop staff training	-	-	100	-	112	78	15

### ACE Activities 2003 (continued):

No.	Description of Activities	Oromia		Amhara		South		Tigray
		Plan	Actual	Plan	Actual	Plan	Actual	
2.7.4	Primary coop board members training	-	-	100	-	112	-	15
2.7.5	Unions manager and staff training	-	-	9	-	24	-	2
2.7.6	Union board members training	-	-	9	-	72	-	4
2.8	<b><i>Monitoring and evaluation system installation</i></b>							
2.8.1	Unions	12	-	9	-	6	-	2
2.8.2	Primaries	96	-	100	-	112	-	15

2.8.3	Primary coop staff training	96	-	100		112	-	15
2.8.4	Primary coop board members training	96	-	100		112	-	15
2.8.5	Union managers and staff training	13	-	9		6	-	4
2.8.6	Union board members training	24	-	18		24	-	4
2.9	<b>Training to Wereda and Zonal Administrators on cooperative business development</b>	-	-	42	93	-	-	-
2.10	<b>Training on Computer application</b>							
2.10.1	Training to union managers	12	10	7	6	3	3	-
2.10.2	Training to union accountants	12	9	7	7	5	2	-
2.11	<b>Short-term training and study tour</b>							
2.11.1	Study tour to coop staff and board members	5	-	4	-	7	-	4
2.11.2	Study tour to government partners	-	-	5	-	3	-	2
2.11.3	Coop promotion office	1	-	2	-	-	-	1
2.11.4	Local study tour	13	-	13	-	13	-	8
2.12	<b>Establish Cooperatives</b>		-					
2.12.1	Unions	3	1	-	-	1	1	-
2.12.2	Saving and Credit Coops (SCCs)	15	14	5	2	15	13	15
3	<b>Material support to Unions</b>							
3.1	Motorcycle	2	-	2	2	2	2	1
3.2	Office furniture (to Unions)	3	-	7	-	2	2	1
3.3	Computers (to Unions)	12	12 PCs	7	7	4	3	2
3.4	Promotional material	-	-	2	-	3	-	1
4	ToT Trainers and specialists	13	4	11	3	13	4	9
5	<b>ACE Advisory Meeting</b>	4	-	4	-	4	1	4

\* One person from each Coffee Union trained in coffee liquoring

\*\* Two SCCs are women-only the third SCC Friet women-only SCC merged with Bruhtesfa to increase financial capacity and management strength.