

**AGRICULTURAL COOPERATIVES IN ETHIOPIA (ACE)**

**Third Quarter**

**PROGRAMATIC AND FINANCIAL REPORT**

**(July 1 – September 30, 2003)**

**SUBMITTED**

**TO**

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## **1. PROGRAM DESCRIPTION**

ACE project is an extension and expansion of the Cooperative Union Project in Oromia to four regions, namely, Oromia, Tigray, Southern and Amhara Regions for the period of five-years (2000 – 2004). The project aims to help achieve rapid rural development in the region. The development and promotion of modern, business-oriented cooperatives under free market economy principles will contribute to the enhancement of food security. By improving access to markets and increasing incomes for members, cooperatives contribute to sustainable improvements in the food security of rural households. 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. 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 skills and environmental awareness of cooperative members through classroom and hands-on training programs;
3. Upgrading the skills of cooperative promotion staff to support the cooperative movement and improve the efficiency of agricultural markets;
4. Formation of 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**

Economic policy in 2003-2004 is expected to follow the framework laid down in the poverty reduction and growth facility agreed with the IMF, which runs from 2001-2004 and in the government's poverty reduction strategy paper as reported by Fortune (Sept. 30, 2003).

The country had been suffering from drought during the years 2001 and 2002 and, consequently, famine in 2003 affected about fourteen million people. A combined humanitarian assistance effort by the government and donors has helped to avert a potentially much worse national disaster in Ethiopia in 2002-03 as reported by Ethiopia Network on Food Security (ENFS).

Drought and famine caused lessened farmers' production/income which depressed business activities of cooperatives in ACE-supported regions. Farmers' farm inputs purchasing capacity, mainly fertilizer, has been weakened. It also affected cooperatives' purchase of farm output from members.

Given the widespread and significant impact of the food crisis in 2003, increasing destitution and chronic food insecurity, erosion of livelihoods, and other factors, similar effort by government and donors will be required to continue for next year according to ENFS.

## 2.1 Weather during the quarter:

*Belg* season rain performance, which was critical for planting of long cycle crops (maize and sorghum), was about normal with 28-30 days delays in the country despite some localized variations. According to Ethiopia Network on Food Security (ENFS) October 2003 issue, the onset, amount and distribution of *kremt* rains were also generally favourable in the typical *meher* producing areas except for delays and irregularities in some pocket areas. Intermittent showers in the first half of September, particularly in East and South Tigray, and heavy rains throughout September, especially in western Tigray and Amhara Regions, and in Western highlands have supplied enough moisture for crops to complete the grain-filling process. Furthermore, in other parts of the country, including the central and northwestern regions, satisfaction of crop water requirements ranged from average to very good.

Additionally, DPPC reports (EWS October 2003) that the amount of rainfall in August was normal and above normal throughout the country, with exception of some pocket areas in of South and North Gonder, Oromia Zone of Amhara, Central Zone of Tigray, lowland areas of SNNPR, pocket areas of East Shoa, East and West Harerghe of Oromia Region. These areas exhibited below normal rainfall. The Meteorological Service Agency also reported that normal to above-normal rainfall over most part of the *Meher* growing areas of the country, with heavy rainfalls ranging from 30 – 80 mm observed in one day in some areas of Western and Eastern Amhara, Gambella, and Western, Central and Eastern Oromia.

## 2.2 Food aid and distribution:

During the first half of 2003, although there were significant pledges, timely delivery and distributions of pledges was problematic as reported by ENFS October release. For example, in June 2003, only 67% of the required food aid was distributed. In some regions, especially in SNNPR, inadequate food aid distribution during the first half of the year has contributed to increased food insecurity. This problem seems to have been solved. In October 2003, almost 100% of committed and required food assistance has been delivered at the national level or distributed locally, improving the food security status of vulnerable populations. Overall, DPPC, WFP and NGOs managed to distribute 1.4 million MT of food to 84% of the total required amounting to 1.6 million MT between January and September 2003.

### 2.3 Production and cereal prices:

FEWS Net estimates on the overall production prospects for the 2003/2004 *meher* season, that the normal rainfall observed over most *meher*-crop growing areas was favourable for *meher* season agricultural activities. Despite a decline in the use of fertilizer and hybrid seeds, the *meher* harvests this year are expected to be close to normal, and higher than those of last year (7.37 million MT) but fell about 20% below the average. According to FEWS Net, as a result of late and irregular rainfall in some areas, maize production will fall by more than 30 per cent and sorghum production by 19 percent. It is estimated that the total *meher* gross food crop production in 2003/2004 will be 8.379 million MT, about 4.5 percent lower than the average for the period 1997/97-2001-02.

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 was 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. Death of weak animal due to heavy rains/hailstorms was reported in Arsi Zone in August. On the other hand, shortages of grazing areas resulting from the extension of farm lands was reported from Jimma and Awi Zones in Oromia and Amhara regions respectively.

The Ethiopian Agricultural Inputs Authority, according to Fortune (Sept. 30), has advised the government that the country needs to procure 320,000mt of UREA and DAP fertilizers, estimated to worth USD 89million for the current fiscal year.

Cereal prices in selected markets were stable between August and September, but are still much above the September 1995-2002 averages. Real retail maize prices in Addis Ababa for example, according to ENFS, were above Birr 160 starting mid-June and didn't show to go down below the 160 Birr mark until end of September. 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 not yet started declining. Lower supply following the 28.9 percent drop in crop production between 2001 and 2002, stronger demand for cereals for local food aid purchases and price speculation have helped sustain cereal prices at much above average levels during the first half of 2003.

## 3. **PROGRAM ACHIEVEMENTS**

### 3.1 **Farmers Cooperative Union Membership**

#### SNNP Region

In addition, the Board of Directors of Yergacheffe Coffee Union in Gedeo Zone has approved one applicant primary cooperative for membership and Licha Farmers Union in Hadya Zone approved one primary cooperative. As a result, farmer membership of Yergacheffe grew to 33,722 from 33,328 while that of Licha grew from 14,996 to 16,304 farmer members.

Amhara:

In this region, the Board of Directors of Burie Union has approved ten applicant primary cooperatives for membership, which farmer members grew from a total of 13,348 (771 women or about 6%) to 27,337 (1,957 women or 7%). Therefore, the total primary member cooperatives of the seven unions in the region grew from 118 to 128.

Tigray:

The two unions in the region did not add any primary cooperative but only increased farmer membership from 3217 to 4344. The size of women grew from 25.66percent to 25.9 percent.

Oromia

Neither the number of primary cooperatives nor farmer members number was changed during the last quarter.



*Above: Training on business skill development training to Union Managers of Amhara and Tigray Regions by VOCA volunteer trainer in Bahir Dar*

### **3.2 Marketing Activities**

Agricultural input mainly fertilizer (DAP and Urea) purchased by the seven unions in Amhara at the end of the quarter was 230,423.75 quintals worth Birr 54.13 million and distributed amount to member primary cooperatives is 212,311.63 quintals valued at 52.72

million Birr. Consumer goods distribution by the unions to their primary members was valued at about Birr 757,000 with gross profit of more than 78,000. Farm output purchased by the unions was more than 26,000 quintals, mainly food grains, valued at 3.5 million Birr out of which about 266,000 Birr margin earned.

#### ***Input Marketing by Amhara Unions***

Union Name	Purchase		Sales		Net Profit
	Volume (Qt.)	Value (Birr)	Volume (Qt.)	Value (Birr)	
Motta	39,354.50	7,590,667.73	39,889.50	9,919,760.87	323,925.17
Enemay	14,275.00	3,664,789.88	15,362.00	3,602,264.13	225,213.20
Debrework	7,595.00	1,727,320.20	7,595.00	1,759,844.30	34,007.20
Gozamen	41,677.00	10,275,036.45	41,734.75	10,664,690.32	377,102.58
Awabel	18,086.00	4,397,543.30	15,758.00	4,012,944.25	210,348.51
Burie	36,263.25	8,956,443.38	26,689.25	6,985,081.81	223,836.52
Merkeb	73,173.00	17,519,518.46	65,283.13	15,778,485.28	41,906.67
<b>Total</b>	<b>230,423.75</b>	<b>54,131,319.40</b>	<b>212,311.63</b>	<b>52,723,070.96</b>	<b>1,814,339.85</b>

Sidama Coffee Farmers Union in SNNPR bought more than 12,000 quintals of coffee worth 19.1 million Birr and sold the same amount at 22.6 million Birr with margin profit of 3.5 million while Yergacheffe Coffee Farmers Union, in the same region, bought a little more than 4,900 quintals of coffee worth 5.29 million Birr and sold the same amount at 6.69 million Birr, a profit of 1.4 million Birr. Licha and Angacha unions, on the other hand, purchased farm outputs – Licha purchased 1,465 quintals of wheat and 224 quintals of *teff* at more than 226,000 Birr and about 46,000 Birr respectively and got gross profit of about 27,000 from wheat and more than 7,500 Birr from *teff*. Similarly, Angacha union bought 291 quintals of wheat at about 43,000 Birr getting gross profit of a little more than 6,000 Birr.

#### ***Output Marketing by Unions in SNNP Region***

Union Name	Purchase		Sales		Gross Profit
	Volume (Qt.)	Value (Birr)	Volume (Qt.)	Value (Birr)	
Sidama - Coffee	12,240	19.1 million	12,240	22.6 million	3.5 million
Yergacheffe - Coffee	4,916	5.29 million	4,916	6.69 million	1.4 million
<b>Coffee Total</b>	<b>17,156</b>	<b>24.39 million</b>	<b>17,156</b>	<b>29.29 million</b>	<b>4.5 million</b>
Licha - Wheat	1,465.09	226,365.44	1,451	252,709.50	28,675.66
- Teff	224.03	46,358.79	112.50	35,178.75	7,574.80
Angacha - Wheat	291.13	42,883.45	290.58	48,933.70	6,050.25
<b>Grains Total</b>	<b>1,980.25</b>	<b>315,607.68</b>	<b>1,854.08</b>	<b>336,821.95</b>	<b>42,300.71</b>

With regards to farm inputs, Licha union purchased 297 quintals of fertilizer at about 59,000 Birr and sold the same amount to members at about 61,000 Birr getting a gross profit of more than 2,000 Birr.

### 3.3 Saving and Credit Cooperative (SCC) Activities

**Oromia:** a new SCC has been formed by 20 farmer members (4 women) with starting capital of 1,200 Birr. The total number of SCCs in Oromia, as a result, reached twenty. And total asset grew from about Birr 228,000 at the end of last quarter to 273,000 Birr at the end of September.

**SNNPR:** no new SCCs established but the size of membership and asset has grown. Accordingly, membership of the twenty-seven SCCs increased from a total of 1194 (122 female) at the end of the last quarter to a total of 1,230 (135 female) at the end of the third quarter. And total asset grew from 242,350 to 261,500 Birr during the quarter.

**Tigray:** two new SCCs namely, Yirgalem and Demereity, established by 36 members (5 female) and 30 members (3 female) respectively. Initial capital of these new SCCs is 4,220 Birr for Yirgalem and 1,983 Birr. Total asset of the twenty-eight SCCs in the region has increased from 370,510 Birr to 436,287 Birr at the end of the third quarter.

**Amhara:** no new SCCs. Membership remained the same and total asset of the six SCCs increased from 1440,870 Birr to 159,430 Birr during the quarter.

#### *Summary of Saving and Credit Cooperatives in the four regions*

Region	# of SCCs	Members 2 <sup>nd</sup> Quarter			Members 3rd Quarter			Asset (Birr)	
		Male	Female	Total	Male	Female	Total	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter
Oromia	20	650	159	811	639	168	807	227,919	272,988
SNNPR	27	1,072	122	1,194	1,095	135	1,230	242,348	261,541
Tigray	28	873	323	1,196	953	353	1,306	370,512	436,287
Amhara	6	400	182	582	394	184	578	140,868	159,430
<b>Total</b>	<b>81</b>	<b>2,995</b>	<b>786</b>	<b>3,783</b>	<b>3,081</b>	<b>840</b>	<b>3,921</b>	<b>981,647</b>	<b>1,130,246</b>

### 3.4 Business Skill Development

Training on Financial Planning and Credit Management, and Human Resources Management from August 22 to September 4 for all four regions of Oromia, South, Amhara and Tigray. A total of 58 cooperative union managers and cooperative promoters were given the training.



*Above: training for Cooperative Accountants on Internal Control and Audit System in Debre Markos*

Another training on Irrigation Cooperative Management (both technical and organizational) have been given by American volunteer trainers for Amhara and Tigray regions to 20 trainees (ten from each region) from October 13 – 24 in Mekele.

Training on computer application given to union managers and accountants - union accountants additionally given Peachtree application for two weeks here in Addis by ALTA COMPUTEC. All ACE-supported regions, except Tigray, sent participants. Accordingly, eleven managers and eight accountants came from Oromia, six managers and seven accountants from Amhara and three managers and one accountant from SNNPR. Totally twenty union managers and sixteen accountants participated on the training.

#### **4. Quarterly Activity Report**

Detailed implementation activities for all four regions during the quarter are shown below on table:

**ACE second quarter activities:**

No.	Activities	Amhara		Oromia		SNNPR		Tigray		Total	
		Plan	Achieved								
<b>A. Business skill Development</b>											
A.1	Union Board members training	-	-	12	-	24	10	-	-	36	10
A.2	Primary Cooperative Board members and staff training	-	-	176	162	285	-	15	50	476	212
A.3	Cooperative members education	-	-	23,700	4,564	20,646	65,508	4,000	-	48,346	70,072
<b>B. Training</b>											
B.1	<i>Training on cooperative business</i>										
B.1.1	Regional core team (RCT)	5	17	6	31	6	6	-	4	21	58
B.1.2	Market information service and market linkage	-	-	2	-	2	-	-	-	4	-
B.1.3	Primary board members	-	-	-	-	60	-	-	-	60	-
B.1.4	Staff/Accountants training	-	-	-	-	-	-	-	-	-	-
B.2	<i>Coffee F4</i>										
B.2.1	Coffee marketing	-	-	-	-	-	-	-	-	-	-
B.2.2	Cupping/liquoring	-	-	-	-	-	-	-	-	-	-
B.2.3	Quality coffee production	-	-	-	-	-	-	-	-	-	-
B.3	<i>Internal control and audit system</i>										
B.3.1	System installation										
B.3.1.1	Unions	-	-	-	-	-	-	-	2	-	2
B.3.1.2	Primaries	-	-	-	-	45	-	-	8	45	8
B.3.2	Training on Internal control/audit										
B.3.2.1	Primary staff training	9	-	-	-	45	-	15	9	60	9
B.3.2.2	Primary board members training	100	97	-	-	45	-	15	76	160	173
B.3.2.3	Union managers training	-	-	-	-	-	-	2	3	2	3
B.3.2.4	Union board members training	-	-	-	-	-	-	4	8	4	8
B.4	<i>Woreda administrators training</i>	42	93	-	-	-	-	-	-	42	93
<b>C. Saving and Credit Cooperatives</b>											
C.1	SCC formation	-	-	-	1	-	-	-	2	-	3
C.2	SCC union formation	-	-	-	-	-	-	-	-	-	-
C.3	Training										
C.3.1	- Members	-	-	-	20	-	-	39	75	39	95
C.3.2	- Boards/committees	-	-	102	-	48	-	-	-	102	48
<b>D. Market Linkages</b>											
D.1	Market analysis training										
D.1.1	- Union/primary staff	-	-	-	-	-	-	-	-	-	-
D.1.2	- Promoters	-	-	-	-	-	-	-	-	-	-
D.2	Market analysis	-	-	-	-	-	-	-	-	-	-

ACE second quarter activities (continued):

No.	Activities	Amhara		Oromia		SNNPR		Tigray		Total	
		Plan	Achieved	Plan	Achieved	Plan	Achieved	Plan	Achieved	Plan	Achieved
<b>E. Increased Awareness on NRM</b>											
E.1	Training	-	-	-	-	-	-	-	-	-	-
E.1.1	ToT	20	-	-	-	-	-	-	-	20	-
E.1.2	Training to farmers	-	-	-	-	-	-	-	-	-	-
E.2	Seedling planted	-	-	-	-	-	-	-	-	-	-
<b>F. HIV/AIDS Training</b>											
F.1	ToT for promoters	20	4	-	-	-	-	-	16	20	20
F.2	Direct training	-	-	-	-	-	-	-	-	-	-
F.2.1	- Union Boards	-	35	-	-	-	-	-	113	-	148
F.2.2	- Cooperative Boards	392	331	-	-	-	-	-	-	392	331
<b>G. Study tour in cooperative business management abroad</b>											
G.1	Study tour to Kenya	-	-	-	-	-	-	-	-	-	-
G.1.1	- Cooperative Board Members	-	-	-	-	-	-	-	-	-	-
G.1.2	- Cooperative staff	-	-	-	-	7	-	-	-	7	-
G.1.3	- Regional Promotion Bureau	-	-	-	-	-	-	-	-	-	-
G.1.4	- Council members	-	-	-	-	-	-	-	-	-	-
G.2	Local study-tour	-	-	-	-	7	-	-	-	7	-
<b>H. Monitoring &amp; Evaluation system installation and training</b>											
H.1	M&E expert hired	-	-	-	-	-	-	-	-	-	-
H.2	Improved M&E established	-	-	-	-	-	-	-	-	-	-
H.2.1	Unions (installed)	9	-	-	-	3	-	2	-	14	-
H.2.2	Primary (installed)	100	-	-	-	45	-	15	-	160	-
H.2.3	Primary coop staff training	100	-	-	-	45	-	-	-	145	-
H.2.4	Primary coop board training	100	-	-	-	45	-	-	-	145	-
H.2.5	Unions staff training	9	-	-	-	6	-	4	-	19	-
H.2.6	Union board members training	18	-	-	-	-	-	4	-	22	-
H.3	Quarterly reports presented	1	1	1	1	1	1	1	1	4	4
H.4	ACE advisory meeting	1	-	1	-	1	-	1	-	4	-
<b>I. Material support to cooperative unions</b>											
I.1	Computers	-	-	-	-	-	-	-	-	-	-
I.2	Motorcycles	-	-	-	-	2	2	-	1	2	3
I.3	Office furniture	-	-	-	-	2	2	-	-	2	2
I.4	Promotional materials	2	-	-	-	3	-	-	-	5	-

#### **4. CONCLUSION**

In the third quarter project activities were better than the second quarter, a quarter with a lot of challenge from the effects of drought and famine as well as market situations both internal and external.

Marketing activities by primary cooperatives and their unions, however, were better than the previous quarter. Distribution of agricultural inputs, mainly fertilizer, has been going on in two regions though not as much as planned because of inadequate amount of import and delay during distribution. Cooperative unions couldn't float bid for importing companies for fertilizer supply and thus forced to negotiate with one importer who could not satisfy their demand though.

Prices of coffee on the world market hasn't shown improvement but the two Coffee Unions in SNNPR purchased coffee from members and made profit of 4.9 million Birr.

Members education in basic principles of cooperatives has been carried out. Cooperatives membership at primary cooperatives and union level is increasing. In addition to the newly established SCCs, the size of their business is also increasing in terms of membership, savings and capital in all of ACE supported regions.

As ACE's focus for the year 2003 is on primary cooperatives and their unions, priority given to the following major accomplishments:

- Improve information management and exchange through computerized systems at union level in the four regions;
- Training to union management and staff in Peach-tree accounting completed;
- Internal control and audit system being established with training to cooperatives at primary and union levels;
- M&E system established and being tested in the field – this will also include system installation and training at cooperatives level;
- Training for primary cooperative accountants to close books of accounts has been completed.
- Improved data quality on cooperatives, their business and other related program implementation at all levels that includes offices of primary cooperatives union and regional coordination units of VOCA/Ethiopia;

## ANNEX – FINANCIAL REPORT