

Value chain partnership of coffee farmers' cooperative organizations in Southwest Region of Ethiopia

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Abstract

This study has been carried out to identify status of coffee cooperative value chain partnership in Southwest region of Ethiopia. Data was collected from both primary and secondary sources. The primary data has been collected from 324 members' coffee farmers' cooperative and 66 administrative staffs of primary cooperatives. Secondary data has been obtained from primary cooperatives, unions and cooperative promotional office of the district (Woredas) reports. Besides, journal and books have also been used as secondary sources. Descriptive statistics such as frequency and standard deviation has been used to identify the status of partnership. Multi stage probability and nan-probability sampling has been undertaken. The result of descriptive statistics indicated that the status of value chain partnership sub construct such as openness, equality and conflict management in partnership between members and management of primary cooperative were weak. Coffee framers cooperatives and management were advised to focus their attention on enhancing relationship and linkage through partnership. It is better to develop two way communications between primary cooperative employees and members of the cooperative organizations.

Keywords: Value chain, Partnership, Cooperatives, Performance.

Introduction

Partnerships are common schemas and shared resource, risks and benefits. It is a voluntary alliance that could build strengths and core competencies of each partner, enhance distribution of resource and achieve commonly beneficial results over a sustained period. It implies the relationship that increases resource, scale and impact¹. Partnership increases profit or income, job or skill development and wealth creation. It can develop relationship between various groups. Discussion on different problem and issues through partnership finds a solution for community or organization Partnership tends to bring about holistic approaches to community or organizational issues through discussion and the shared finding of solutions. It can improve communication². Business relationship comprises vertical collaboration that includes relationship with suppliers and customers³. Having strong personal relationships between the partner is essential to enable the parties to transfer open and face to face communication. Also, for effective collaboration, it necessitates high level contact between the partners, so that appropriate, complete, credible information is maintained⁴. Different studies were emphases on the types of partnerships and kinds of cooperatives though overlooking the status of cooperative value chain partnerships.

This study focuses to investigate the status of value chain partnerships. It was particularly focuses on partnership between coffee farmers and primary cooperatives coffee value chain in the study area.

Literature Review: Value Chain Partnership: Supply (Value) chain partnerships are formed between two supply (value) chain actors through cooperation, including an increased level of information sharing between each other's. The relationship focuses on creating win-win solution for both parties and to benefit in turn of reduced inventory level or cut costs³. The aim of value chain management is integration of the value chain partners leading to improvements in efficiencies and resulting in value creation to the stakeholders. Intensive cooperation between two partners may gradually turn a pure trading relationship into a close partnership⁶. Partnership frequently assist producers in enhancing their production efficiency, thereby reducing production cost, and raising coffee quality, which increases the price farmers get for their coffee. Especially partnerships that include actors from the coffee segment place emphasis on enhancing the coffee quality so that it matches their quality profile. This type of economic empowerment of farmers can be further supported if partnerships provide them with market information. One of the most eminent questions about partnerships is whether they contribute to increased incomes of smallholder farmers. Higher profitability can come about if production costs are reduced or if producers fetch higher prices for their coffee beans. Better farm management, which is generally part of partnerships technical assistance, can decrease production cost. All partnerships provide access to some form of credit, yet only for producer organizations and not for individual members. Credit given by partnerships is frequently rather small, so for producer group it is more important that

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partnerships establish linkage to international lending institutions and non-profit micro finance organizations⁷.

The value chain theories denote organizations as essential part in a linkage of production process, in which actors at different stage adds value within the chain. In order to improve value chain, organizations is vital for connectedness of actors. Efficient cooperation of value chain encompasses continuous improvement of production and distribution process which involves organizing tasks of the partners, with adequate know how in the organization about the partners process and quality management. This on the other hand needs trust and skills in organizing different activities between partners. Promoting partnership leads to cost reduction and better service level, linkage and collaboration in terms of product and process development throughout the value chain. Though, partnerships are not easy in terms of time and effort.

Relationship between organizations comprises the transaction of products and/or service through the anticipation to benefit of both partners from the collaboration. Interlinked and collaborated organizations are characterized by common objectives, purpose, respect, readiness to negotiate and collaborate in sharing of information and making decision. The end result of long term relationship relies on both organizational structure which include organizational design and control; and the partners behaviors such as commitment, trust and communication skills that could benefit the partners. To promote successful cooperation between partners it essential to develop conducive organizational working condition in which diversity is credited and valued as deferent parties bring different behaviors and ideas. These characteristics have paramount effect on the effectiveness of partnership performance. Each of high performance partnership (HPP) characteristics are discussed below:

Organizational design can be termed as formalization, centralization and complexity of organizational structure. In the value chain framework it is important to control the behaviors of actors involved in the chain. Control is essential for success of the strategic alliance. Control includes three attributes such as focus, extent and mechanism of controls. The anticipation of partners that will not behave in opportunistic manner and ability to reduce cost of parties involved is termed as trust. One way to increase trust is by exploring mutual rather than individual benefit opportunities.

Commitment in terms of organizational partnerships defined as the interest in the relation and willingness to develop a long term partnership. Valuing cooperation and being committed to share responsibility, risk, power, and accountability is necessary for successful partnership relations.

Coordination is an essential activity in a management to align process and functions of the partners which could foster their collaboration and performance and reduce undesired behaviors of partners.

Interdependence refers to the equality if dependence between the partners in terms of investment and resource, and the substitutability of the partnership itself. Inequality between partners is one of the main contributions to partnership failures.

Without any form of **communication** cooperation would not be possible. When the communication between and within the value chain is not effective it could lead to conflict among the partners. Continuous and effective communication is necessary to strengthen the linkage and relationship of the partners in value chain partnership. Also, information exchange affects the partnership characteristics and the capability to be responsive ability to respond quickly to changing customer needs as improving the lines and quality of communication shortens partner and market distance.

Partnerships performance and **conflict** are expected to have inverse relationship. There is a possibility of misunderstanding in communication of two or more parties. To improve the effectiveness cooperation it is important to create an organizational environment where **diversity** is both credited and valued⁸.

Materials and methods

This study was conducted in three districts of Jimma Zone Southwest Ethiopia. Namely Gomma, Manna, and Limmu Kosssa district (woredas). Jimma zone is one of high coffee production zones in the southwest region of Ethiopia, which has a total area of 1,093,268 hectares of land⁹. Coffee is the major cash crop of the zone, which is produced in the eight districts these are, Gomma, Manna, Gera, LimmuKossa, LimmuSeka, Seka Chokorsa, Kersa, and Dedo, which serves as a major means of cash income for the livelihood of coffee farming families⁹.

Research design: The research design for this study is cross sectional survey design, in which both qualitative and quantitative data were used. It is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data ¹⁰. A research design provides a framework for the collection and analysis of data. It is a blueprint that is followed in carrying out the study ¹¹.

Data Types and Sources: The types of data were Quantitative and qualitative in this study. In order to get these data types, both secondary and primary data sources were used. Secondary sources include, journals, books, internet browsing, national policies, cooperative union reports, zonal and district (woreda) reports. Primary data sources were include coffee farmers, primary cooperatives, zonal and district (woreda) cooperative office.

Methods of Data Collection: The data collection was conducted through the use of value chain partnership questionnaire adopted from pervious literature. In addition,

secondary data sources of unions and primary cooperative reports were used. Questionnaire can be used to meet the needs of survey research and seen as effective when clearly defined information, on a restricted range of topics, is required 12. The questionnaire composed of statements measuring value chain partnership of coffee farmers primary cooperatives in Jimma zone to be responded on a five- point likert scale (1=strongly disagree, 2=dis agree, 3=undecided, 4=agree, 5=strongly agree) for value chain partnership items. To improve the questionnaire in terms of questions wording, sequence layout, familiarity with respondents, etc., a pilot study was carried out to determine the reliability of the scales in the questionnaire.

Sampling Techniques and sample size determination: Sampling refers to the selection of some part on an aggregate or totality on the basis of which a judgment or inference about the aggregate or totality is made. It is the process of obtaining information about an entire population by examining only a part of it ¹⁰.

To conduct formal survey, multi stage probability and non-probability sampling were used. In the first stage Jimma Zone was selected from Southwest Ethiopia based on high coffee production and sales. Next three districts (woradas) namely, Mana, Goma and Limu Kossa were selected on the ground that, high number of primary cooperatives and they are major coffee production areas. At third stage out of 14, 12, and 8 primary cooperatives from Goma, Limu, and Mana districts respectively, three primary cooperatives from each districts were randomly selected. Finally, the researcher was selected 324 coffee farmers by stratified proportional random sampling and 66 cooperative experts and staffs at managerial and administrative levels in which they are members of primary cooperatives by census survey.

Table-1: Sample of members of cooperatives.

No.	Districts	Sample cooperatives	members	Sampling fraction (Multiplier) (n/N)	Proportionate to Samples size	
		Chocheguda	1421	1,421(324/11,843)	39	
1	Gomma	Ilbu	1263	1,263(324/11,843)	35	
		Kota	646	646(324/11,843)	18	
	2 Limukossa		Ambuye	1959	1,959(324/11,843)	54
2		Shogole	1693	1,693(324/11,843)	46	
		Debelo	1289	1421 1,421(324/11,843) 1263 1,263(324/11,843) 646 646(324/11,843) 1959 1,959(324/11,843) 1693 1,693(324/11,843)	35	
		Afatawanja	1291	1,291(324/11,843)	35	
3	Mana	Garuke	1314	1,314(324/32,668)	36	
		Haro	967	967(324/11,843)	26	
Tot.	3	9	11843		324	

Table-2: Sample of employees.

No.	Name of districts	Sample cooperatives	Male	Female	Total number of employees	Samples
		Chocheguda	7	-	7	7
1	Gomma	Ilbu	5	1	6	6
		Kota	7	1	8	8
2	Limukossa	Ambuye	5	2	7	7
		Shogole	9	-	9	9
		Debelo	6	2	8	8
		Afatawanja	10	1	11	11
3	Manna	Garuke	3	-	3	3
		Haro	7	-	7	7
Tot.	3	9	59	7	66	66

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Variable of the study: The variables of this study were the partnership constructs such as openness in partnership, equality in partnership, conflict management in partnership coffee farmers primary cooperatives.

Results and discussion

Response rate: In this research cross sectional approach and self-administered questionnaire were used. Measures of value chain partnership were adopted from¹³. The respondents were responded their level of agreement to statement that used a five-point Likert scale. A five point represents strongly agree while one point represents strongly disagree.

The questionnaire was distributed to 324 members and 66 employees of primary cooperatives of the study area. Out of 390 questionnaire distributed all are returned and usable with minor edition which is 100% response rate.

Demographic characteristics of respondents: The findings of respondents profile such as age, sex, educational levels, marital status, and family size were described in Table-3. It, shows 45 (11.5%) of respondents were female and 345 (88.5%) of respondents were male. This indicates that the majority of respondents and members of the primary cooperatives were male. As indicated in Table-3, 19 (4.9%) of respondents fall in 18-26 age interval, 51(31.1%) of respondents were between the age of 27-35 years, 130(33.3%) respondents were in the age interval of 35-44 years, 80 (20.5%) respondents were fall in the age interval of 45-53 and finally110 (28.2%) respondents were above 53 years. This reveals that majority of respondents were ranged between 36-44, followed by age above 53 years. Fewer respondents were in the age between 18-26 years.

The educational levels of respondents as shown in Table-3, 81(20.8%) of respondents were didn't have formal education, 151(38.7%) of respondents had 1-6 grade level of education, 155(39.7%) of respondents had 6-12 grade and 3(0.8%) of respondents had diploma and above. Thus, majority of respondents ranged from grade 6-12, and followed by those didn't have formal educations. Few respondents holed diploma and above. As indicated in Table-3, 361(92.6%) and 27(6.9%) of respondents were married and unmarried respectively, 1(0.3%) of respondents were divorce and widowed each. The finding indicated that majority of respondents were married and few respondents were divorce and widowed.

The status of value chain partnerships: Openness in partnership: Opinions of respondents were asked whether there is openness in partnership between and among members of coffee farmers' primary cooperatives in the study. The result noted that more than 60% of respondents were in the levels of disagreement for all items of openness in partnership. Opinions of 20 to 30% of respondents fall in the levels of agreement. From this result one can infer that the majority of respondents replied as there is no free flow of information which assists

development and growth of the partnership. Information sharing could strengthen the linkage between the partners and value chain actors which leads to upgrade of the partnership in the chain. Regular exchange of ideas between the partners and discussion on significant decision that affect the partnership would help to make sound decision. Particularly decision on credit from financial institution should be based the consent of the members. During the data collection the respondents responded that managerial staffs and committees were not consulting them on credit which bears compound interest to buy coffee from members and sale to the union. However, when they were unable to pay the credit due to price fluctuation, members were obliged to payback with interest to creditors.

Table-3: Respondents Profile.

Demographics	Category	Frequency	%
	18-26	19	4.9
	27-35	51	13.1
Age of	36-44	130	33.3
respondents	45-53	80	20.5
	above 53	110	28.2
	Total	390	100.0
	Female	45	11.5
Sex of respondents	Male	345	88.5
1	Total	390	100.0
	No formal education	81	20.8
Educational	1-6 grade	151	38.7
level of respondents	7-12 grade	155	39.7
	Diploma and above	3	0.8
	Total	390	100.0
	Married	361	92.6
Marital status	Unmarried	27	6.9
of	Divorce	1	0.3
respondents	Widowed	1	0.3
	Total	390	100.0
Family size of	1 to5	202	51.8
the	above 5	188	48.2
respondents	Total	390	100.0

The value chain partnership sub construct (openness in partnership) was composed of 5 items. The item was adopted from previous literature in which extensive theoretical and empirical review were carried out and conceptually described.

The scale was measured on 1-5 pint Likert scale ranging from strongly dis agree (1) to strongly agree (5). The descriptive result of the item revealed that the average mean was 2.39(SD=1.11) as shown in Table-6.

Table-4: Summary of items that measure opinion of respondents about value chain partnership dimension openness in partnership.

Level of agreement	If something significant happened our partner instantly informs us	There is participative decision making on matter that affect the partnership development	Our partner frequently exchange ideas with us	Our partner has a contact on regular basis with us	Our partner informed us honestly and openly on development
	%	%	%	%	%
strongly disagree	19.7	22.1	25.6	21.0	17.9
Disagree	40.8	44.9	41.3	45.6	50.5
Neutral	11.5	11.3	10.3	8.7	8.5
Agree	24.6	19.5	20.3	22.8	19.5
strongly agree	3.3	2.3	2.6	1.8	3.6
Total	100.0	100.0	100.0	100.0	100.0

Table-5: Mean and standard deviation of value chain partnership dimension openness in partnership.

Item number	Item description	Mean	Std. Deviation
OPINPART1	If something significant happenedour partner instantly informs us	2.5103	1.15780
OPINPART2	There is participative decision making on matter that affect the partnership development	2.3513	1.09553
OPINPART3	Our partner frequently exchange ideas with us	2.3282	1.13825
OPINPART4	Our partner has a contact on regular basis with us		1.10681
OPINPART5	T5 Our partner informed us honestly and openly on development		1.09896
Valid N (list wise)	390		

 Table-6: Summary of items that measure opinion of respondents about value chain partnership dimension equality in partnership.

Level of agreement	Our partner has the same amount of power	There is equality in decisions making	Our partner's organizational culture is similar	Our partner is interdependent	There is communication between partners regarding changing demand	we always discuss on planning activities
	%	%	%	%	%	%
strongly disagree	37.9	35.9	34.9	36.7	33.6	36.4
Disagree	46.7	46.9	41.3	43.3	50.3	37.7
Neutral	6.7	5.4	13.3	8.2	8.5	11.0
Agree	7.7	10.3	8.5	10.3	7.2	12.8
strongly agree	1.0	1.5	2.1	1.5	.5	2.1
Total	100	100	100	100	100	100

Equality in partnership: The respondents were asked whether there is equality in decision making, authority and interdependence, between and among members of coffee farmers' primary cooperatives and management in the study. The result indicated that more than 70% of respondents were in the levels of disagreement for all items of equality in partnership items. Lower than of 20% of respondents fall in the levels of agreement and replied that there is equality in partnership. From this result one can infer that the majority of respondents replied as there is no equality decision making, interdependence and information in relation to change in demand in the market for their produce such as coffee. Price Information is crucial factors for farmers and an effect on their income. Similarly, information pertained to preferences of demand has a great effect on price of coffee. There are different types of coffee like organic coffee, fair trade coffee. Organic coffee is produced without the aid of artificial chemical subsistence, such as pesticides. Fair trade coffee that is certified as having been produced to fair trade standard has a premium price which could benefit and increase the income of members of the cooperative. Havening information in relation to customer demand and producing accordingly may have important role for the development of the chain actors and management of the cooperatives. From survey data most respondents replied that although management staffs were from members of cooperative they did not have qualifications and managements skills. The main problems of the cooperative were sales of the their coffee for exporters and cheating with non-sufficient fund that means a cheque cannot be honored because of insufficient funds are available in the account to withdraw. This problem was the problem of many sampled cooperative which comes from lack of managerial skills of the cooperatives. The cooperatives were still paying for creditor's principal plus interest annually from their production through management of primary cooperatives.

Mean and standard deviation of value chain partnership dimension equality in partnership: The value chain partnership sub construct (equality in partnership) was composed of 6 items. The item was adopted from¹³. The scale was measured on 1-5 pint Likert scale ranging from strongly dis agree (1) to strongly agree (5). The descriptive result of the item indicated that item' our partner's organizational cultural is similar "highest mean 2.01, (SD=1.00. On the other hand, the lowest mean was the item "our partner has the same amount of power in the partnership as we have" with mean of 1.87, SD= 0.91. The average mean was 2.06 (SD=0.973) as shown in Table-7.

Table-7: Mean and Standard Deviation of equality in value chain partnership.

Item number	Item description	Mean	Std. Deviation
EQUINPART1	Our partner has the same amount of power in the partnership	1.8718	.91206
EQUINPART2	There is equality in decisions making	1.9462	.98036
EQUINPART3	Our partner's organizational culture is similar	2.0154	1.00373
EQUINPART4	Our partner is interdependent	1.9667	.99944
EQUINPART5	There is communication between partners regarding changing demand	1.9077	.86443
EQUINPART6	we always discuss on planning activities	2.0641	1.08198
Valid N (listwise)			

Table-8: Summary of items that measure opinion of respondents about value chain partnership dimension conflict management in

partnership.

Level of agreement	There are no personal conflicts between partner	There are no cultural misunderstanding between partner	There is trusts between partner	Partner doesn't have conflicting goals.	Differences between partner's are being actively managed
	%	%	%	%	%
Strongly disagree	39.7	44.1	37.2	33.8	31.0
Disagree	47.2	41.0	47.7	42.6	41.8
Neutral	6.4	5.1	8.2	9.2	9.0
Agree	5.6	8.5	4.9	12.8	13.8
Strongly agree	1.0	1.3	2.1	1.5	4.4

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Conflict management in partnership: The respondents were asked whether there is trust, misunderstandings and conflicting goal, between and among members of coffee farmers' primary cooperatives and management in the study. The result indicated that more than 70% of respondents were in the levels of disagreement for all items of conflict management in partnership. Lower than of 20% of respondents fall in the levels of agreement and replied that there is trust, understanding and same goal in partnership. As the majority of respondents replied, from this result one can infer that, there is no trust, understanding and goal alignment. Trust is a very important factor to build strong relationship in partnership and to have confidence on one another to exchange information, resources and knowledge. Understanding the behaviors and role of the partner was also important factors in building strong partnership. Without knowing what was produced and processed by the farmers, it was difficult to management of the cooperative to find market for the produce. Opposing interests between members of cooperative and the management may lead to divergent goals and frustrations in the cooperatives.

Strengthening Mutual beneficial linkage among value chain is the core of value chain development so as to work together in order to capture opportunity in the environment. Through interaction between members of cooperatives and the management the required quantity and quality of product would produce.

Table-9: Mean and Standard Deviation of conflict management in partnership.

Item number	Item description	Mean	Std. Deviation
CONINPART1	There are no personal conflicts between partner	1.8103	.86336
CONINPART2	There are no cultural misunderstanding between partner	1.8179	.95674
CONINPART3	There is trusts between partner	1.8692	.90462
CONINPART4	Partner doesn't have conflicting goals.	2.0564	1.04002
CONINPART5	Differences between partner's are being actively managed	2.1872	1.14651

Similarly conflict management in partnership was measured by 5 items. The descriptive result revealed that the Average mean was 1.94, SD=0.98 an indicated in Table-4.17.

Conclusion

The respondents profile such as age, sex, educational levels, marital status, and family size were described. 45 (11.5%) of respondents were female and 345 (88.5%) of respondents were

male. This indicates that the majority of respondents and members of the primary cooperatives were male.

19 (4.9%) of respondents fall in 18-26 age interval, 51(31.1%) of respondents were between the age of 27-35 years, 130(33.3%) respondents were in the age interval of 35-44 years, 80 (20.5%) respondents were fall in the age interval of 45-53 and finally110 (28.2%) respondents were above 53 years. This revealed that majority of respondents were older age ranged between 36- 44, followed by age above 53 years. Fewer respondents were in the age between 18-26 years which are younger age.

81(20.8%) of respondents were didn't have formal education, 151(38.7%) of respondents had 1-6 grade level of education, 155(39.7%) of respondents had 6-12 grade and 3(0.8%) of respondents had diploma and above. Thus, majority of respondents ranged from grade 6-12, and followed by those didn't have formal educations. Few respondents holed diploma and above.

361(92.6%) and 27(6.9%) of respondents were married and unmarried respectively, 1(0.3%) of respondents were divorce and widowed each. The finding indicated that majority of respondents were married and few respondents were divorce and widowed

Regular exchange of ideas between the partners and discussion on significant decision that affect the partnership would help to make sound decision. Majority of respondents (60%) replied as immediate information sharing, participative decision making, exchange of ideas and discussion, honesty and openness, between members and management of primary cooperatives were rarely existed. Opinions of 20 to 30% of respondents fall in the levels of agreement. This result reveals that there is less free flow of information which assists development and growth of the partnership.

Focused on outcomes and delivering support, member is seeking enhance and the long-term development of the cooperative working. The results of the questionnaire whether there is equality in decision making, authority and interdependence, between and among members of coffee farmers' primary cooperatives and management indicated that more than 70 % of respondents were in the levels of disagreement for all items of equality in partnership items. Lower than of 20% of respondents fall in the levels of agreement and replied that there is equality in partnership. From this result one can infer that the majority of respondents replied as there is less equality in decision making, interdependence and information sharing.

Through interaction between members of cooperatives and the management the required quantity and quality of product would produce. However, more than 70 % of respondents were in the levels of disagreement for all items of conflict management in

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partnership such as trust, misunderstandings and conflicting goal, between and among members of coffee farmers' primary cooperatives and management in the study. Lower than 20% of respondents fall in the levels of agreement and replied that there is trust, understanding and same goal in partnership.

To sum up the result of descriptive statistics indicated that the status of value chain partnership sub construct such as openness, equality and conflict management in partnership between members' and management were weak.

Recommendation: The value chain actors in coffee framers cooperatives are advised to focus their attention on enhancing relationship and linkage through partnership. It is better to develop two way communications between primary cooperative employees and members of the primary cooperative organizations. Primarily cooperatives should provide information honestly, openly and timely regarding demand, quality of produced and price information to their members. Similarly, the cooperative administrative staffs have to facilitate way of getting training on pre and post-harvest managements of their produce. There should be participating decision making of members on issue like credit and input supply that affect the members of cooperative performance. There should be trust between members and administration primary cooperative.

Information sharing could strengthen the linkage between the partners and value chain actors which leads to upgrade of the partnership in the chain. Regular exchange of ideas between the partners and discussion on significant decision that affect the partnership would help to make sound decision.

Equality between and members and managements could enhance Understanding the organization's objectives and provide a strong platform to raise awareness and build closer relationships within cooperative members and management. The management of the cooperatives has to focuses on outcomes and benefits of members of primary cooperative and deliver support service and awareness creation for farmers' regarding benefit of being organized in cooperative through training, and enhance the long-term development of the cooperative working.

Understanding the behaviors and role of the partner was also important factors in building strong partnership. Without knowing what was produced and processed by the farmers, it was difficult to management of the cooperative to find market for the produce. Opposing interests between members of cooperative and the management may lead to divergent goals and frustrations in the cooperatives. Strengthening Mutual beneficial linkage among value chain is the core of value chain development so as to work together in order to capture opportunity in the environment. Through interaction between

members of cooperatives and the management the required quantity and quality of product would produced.

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