

# The Efficiency of Cooperatives and their Influence on Poverty Alleviation:

## An Institutional Analysis in the Ethiopian Dairy Sector

L. Berger, E. Grubits, K.-J. Peters



### Problem statement:

During the Dergue Regime (1974-1991) Ethiopia was a centralized economy. Farmers were forced to be organized in cooperatives. With the economical liberalization in 1998 the government shifted from direct control to an advisory role. On the one hand, dairy cooperatives are still highly inefficient and struggle for economical survival. On the other hand, farmer cooperatives represent a key mechanism by which the government is supposed to promote modernization and commercialization of smallholder agriculture.



### Research questions:

- How are dairy cooperatives in Ethiopia organized?
- Do the members have a common goal?
- What are possible reasons of economical failure?

### Methodology:

After intensive secondary research, organized in a project based study group, a two weeks field trip to Ethiopia was conducted. In order to gain primary data from different stakeholders, PRA methods were applied, supported by the International Livestock Research Institute in Addis Ababa. The Transaction Cost Theory was employed to process the qualitative data.

$$TC = f(F, U, AS)$$

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**TC** = Transaction Costs  
**F** = Frequency  
**U** = Uncertainty  
**AS** = Asset Specificity

### Results & Recommendations:

- internal conflict of interests, and
- lack of transparency result in high Transaction Costs.

#### To secure competitiveness and continuity in the future:

- external, independent monitoring to secure the efficient use of existing capacities, and
- continuous development of qualification of members to secure a high quality of working processes need to be considered.



This project was conducted in the scope of the interdisciplinary Ethiopian-German research cooperation „Food Value Chain Analysis - Institutions, Challenges, Education. The Case of Dairy in Ethiopia“ kindly funded by:

**Projectpartner:**



**Contact:** Lars Berger, Humboldt-Universität zu Berlin  
Division of Environmental and Resource Economics  
**E-Mail:** lars-berger@web.de

