



**AFRICAN JOURNAL OF BUSINESS AND MANAGEMENT**  
**(AJBUMA)**  
**ISSN 2079-410X**



**MARKETING AGENCY SERVICES AND MEMBERS SATISFACTION: A CASE OF COFFEE CO-OPERATIVES SOCIETIES IN NANDI COUNTY, KENYA**

Mr. Felix. M. Mutwiri<sup>1</sup>, Dr. Wafula Charles Misiko<sup>2\*</sup>

<sup>1</sup>Kenya Coffee Directorate, Nairobi, Kenya

<sup>2</sup>University of Nairobi

**ABSTRACT**

*This paper examined the influence of coffee marketing agency services provided to members of Co-operatives in Nandi County Kenya. The objectives of the study were to investigate the influence of timely coffee payments on members satisfaction, to investigate the influence of coffee prices on members satisfaction, to investigate the influence of commission charged on members satisfaction and to investigate the influence of advance payments on members satisfaction. The study focused on Songhor Division which is one of the divisions with highest concentration of coffee farmers in Nandi County, Kenya. The target population of the study was 1122 members with a sample size of 285 chosen . Results of the study showed that there was no significant influence on timely coffee payments and coffee prices on member satisfaction but the study established that there exist significant influence on commissions charged on coffee and advance coffee payments on member satisfaction. The study recommended that coffee cooperative societies in the area need to look for better markets for their coffee, members should also improve their coffee quality and coffee payments need to be made within a short period of time.*

**Key Words:** *Coffee Marketing Agency Services; Timely Coffee Payments; Coffee Prices; Members Satisfaction.*

\* Corresponding author email: Charles.misiko@uonbi.ac.ke

## 1. Introduction

Agriculture remains the backbone of the economy of most developing countries. Typically, it is the largest source of employment; often two-thirds or more of the population are dependent on farming for livelihood. The labour-intensive character of the sector reduces its contribution to the gross domestic product, but its contribution nevertheless ranges between 20 and 60 percent in most developing countries. Agricultural exports are the principle sources of foreign exchange earnings (Warren and Strokes, 1985). Coffee is one of the most traded commodities in the world with an estimated value of over 80 billion US dollars annually. The leading five producing countries in crop year are Brazil (32.4%), Vietnam (17.9%), Indonesia (6.4%), Colombia (5.7%) and Ethiopia (4.5%) (International Coffee Organisation – ICO, 2012). The coffee sector has a unique feature that impacts significantly on benefits that accrue to world coffee producers; the existence of the ICO that draws membership from both exporting nations and importing nations. In Indonesia, marketing is almost entirely in hands of private traders and exporters. With a share of about 3% of national supply, government estates are involved in production and marketing for a small part (de Jong, 1997). The Indonesian coffee market consists of a large group of small farmers. At the village level, many small primary collectors buy green coffee from farmers in the village. The primary collectors mostly sell the coffee to secondary collectors or traders. So, coffee changes hands regularly by the action of collectors, traders and exporters. Because of the large number of intermediaries, the quality gets worse. The reason for this is that collectors often mix bad coffee with good coffee. This mixing of low quality coffee with high quality coffee will reduce the general quality level (De Rijk, 1980).

World coffee total production in crop year 2011/12 was 134.4 million 60 – kgs bags compared to 133.5 bags in 2010/11, a slight increase by 0.7% (ICO, 2012). In addition, ICO statistics showed that coffee consumption across the world has grown strongly over the last ten years and was estimated at 138.5 million bags in the year 2010/11. ICO argues that this continuous buoyancy was driven by growth in the emerging markets and increased domestic consumption in exporting countries. Ethiopia is now Africa's largest producer but still only accounts for about 2% of global output (Tilahun, 2007). Uganda and Ethiopia are the leading coffee exporters with Kenya being the 7th in the overall (Kenya Institute of Policy Research and Analysis – KIPPRA, 2012). There are significant annual variations in production, which is due to various factors including climatic factors, the biennial Arabica yield cycle, price changes and the impact of pests and diseases. Many other factors affect the production environment including input distribution, credit and crop finance, infrastructure and the provision of research and extension service (CBK, 2012). Coffee suffers from long periods of oversupply and low prices, followed by brief periods of short supply and high prices, often associated with Brazilian production changes. Thus, during the past year there has been an increase in coffee prices following several years of very low prices (ICO, 2012).

In the last ten years the Coffee industry in Kenya injected over 100 billion shillings in the country's Gross Domestic Product (Economic Survey, 2012). However, in the last two decades the Coffee industry in Kenya faced several challenges. The main challenges are production, processing and marketing. The industry also faced the challenge of declining land holding sizes where Coffee is grown due to competition with agricultural enterprises like

horticulture and real estate development (CBK, 2012). The government took several measures to revitalize the industry. These measures include full liberalization of the industry and establishment of the Coffee development fund so that farmers access affordable credit. In addition to this there was the removal of financial burden to farmers. The government waived loans to farmers worth 6 billion shillings in the last four years (Republic of Kenya, 2012). There was restructuring of institutions such as Coffee board of Kenya and Coffee Research Foundation to improve performance. With liberalization, farmers were able to receive Coffee payments in dollars, access Coffee buyers in overseas markets directly and make a wide choice from many service providers. Indeed the reforms bore fruits and there was increased efficiency and lowered the cost of services.

Historically, Coffee has been an important commodity in Kenya because of its contribution to foreign exchange earnings, farm incomes and employment opportunities (Mureithi, 2008). Coffee cultivation in Kenya dates back to 1893, when the fathers of the Congregation of Holy spirit brought the first SL28/34 trees from Ethiopia and planted them in Kiambu district, just north of Nairobi. The original bourbon type is known as French Mission. In the 1950s Scott Laboratories, led by Guy Gibson, developed a number of variations to the strain, numbered SL1 through SL40. The most successful and well-known of these are SL28 and SL34, and they account for the majority of the Coffee grown today in several parts of the country. Further developments have occurred with the Coffee variety since the fifties and currently there are two recent varieties; Ruiru 11 and Batian. The varieties are able to resist Coffee Berry Disease (CBD) and Coffee Leaf Rust hence reducing the cost of production to an estimated 30% to 40% in Ruiru 11 and Batian respectively (CRF, 2012). In Kenya Coffee currently ranks fourth after tea,

tourism and horticulture. The export earnings for tea, tourism, horticulture and coffee in the year 2011 were 102.2 billion, 97.9 billion, 83.3 billion and 22 billion shillings respectively (Economic Survey, 2012). Coffee accounted for approximately 4.2% of the total principal export commodities earnings in 2010 and 4.0% in 2011. It is estimated over 600,000 smallholders are engaged in Coffee production and currently command a 55.6% share of the market (CBK, 2012). Coffee production has been on a declining trend since 1987/88 when a recorded 130,000 Metric Tons of clean coffee was produced to as low as 36,000 Metric Tons in the year 2010/2011. In the last decade (2000 to date) production averaged 47,850.8 Metric Tons of clean Coffee. This is 61.2% less than what was being produced in 1987/1988 (CBK, 2012). This implies that the country was utilizing only 38.8% of the 1987/88 production capacity. The decline in production is more pronounced in smallholder farms. Central province of Kenya commands the lions share in terms of area under coffee and Coffee production followed by Eastern and rift valley. Coast province produces the least with insignificant area under Coffee and production respectively.

### **Statement of the Problem**

Majority of coffee farmers in Songhor Division market their coffee through farmer cooperative societies (FCS). However, in recent years, concerns have been raised on marketing activities provided by FCS. This might be caused by members' dissatisfaction with agency services rendered to them by their cooperative societies. As members understand, the cooperatives are expected to genuinely perform their marketing activities and provide adequate services to members. This is because customer expectations about the quality of services offered and the criteria for performance of the services have a significant impact on the level of satisfaction or dissatisfaction

felt with the total purchase and sale experience (Anderson and Vincze, 2000). Nduati (2012) reported that farmers' dissatisfaction has led them not to deliver their coffee to several FCS in Kigumo District, Muranga County but inadequate studies have been conducted in Songhor Division to determine how agency services like timely coffee payments, coffee prices, and commissions charged and advance payments paid to members influence their satisfaction or dissatisfaction level. This research empirically investigated the influence of Co-operatives in providing Coffee marketing agency services and members' satisfaction and bridge information gap.

### 1.2.Purpose of the Study

The main purpose of this study was to determine the influence of Coffee marketing agency services on members' satisfaction, a case of Coffee Co-operatives in Songhor division Nandi County, Kenya.

### 1.3 Objectives of the Study

1. To investigate the influence of timely coffee payments on members' satisfaction level in Songhor Division
2. To investigate the influence of coffee prices on members' satisfaction level in Songhor Division
3. To investigate the influence of commission charged for services on members' satisfaction level in Songhor Division.
4. To investigate the influence of advance payments for coffee delivered for marketing on members' satisfaction level in Songhor Division.

### 1.4 Research Hypothesis

The researcher hypothesized the following null hypothesis;

- H<sub>01</sub> There is no significant influence of timely coffee payments on the level of members' satisfaction
- H<sub>02</sub> There is no significant influence of amount paid on the level of members' satisfaction
- H<sub>03</sub> There is no significant influence of commission charged for agency services on the level of members' satisfaction
- H<sub>04</sub> There is no significant influence of advance payments by cooperatives on the level of members' satisfaction

## 2. Literature Review

### 2.1 Coffee Payments and members satisfaction

The delay in payment to farmers occurs when the payment is not received at the moment coffee is sold. In the study done by Anteneh, Muradian and Ruben (2011) farmers often face a payment delay of varying length (from one to several weeks) when selling their coffee to cooperatives. According to the information gathered during group discussions with coffee growers, payments by the cooperatives are often delayed because of shortage of working capital. Coffee farmers indicated their appreciation for the up-front and cash payment by private traders. Anteneh *et al.*, (2011) further found out that there exist different payments modalities in the study area: cash, receipts and both. Almost all transactions with private traders (99.1%) take place through up-front payment with cash, while only 45.6 % of farmers selling to the cooperatives report to have engaged in this mode of payment. The rest of farmers selling to coops have received receipts or both (receipts and cash).

Nonetheless, farmers usually prefer cash payments and this has been cited as one of the reasons for not using cooperatives as their marketing channel.

Tilahun (2007) study on coffee farmers' satisfaction observed that timely payments for coffee influenced satisfaction level of members negatively at significance level of 1%. It means payment style of either in cash or credit terms. The result implies that terms of payment for red cherry imposes the satisfaction of members on the overall performance of the cooperatives negatively. Coffee Marketing Cooperatives in the study area, paid price for members' coffee price after they sold to and received from the union. It takes long time to be available for settlement of immediate members' expenses. In accordance to this situation, the result revealed that, as the cooperatives delay the payment had not been performed in accordance to the interest of the members, the satisfaction of members of the cooperatives decreases by 53.53%.

## **2.2 Coffee Prices and members' satisfaction level**

Coffee prices fluctuate heavily from year to year. However, coffee prices do not fluctuate proportionally in each stage of the marketing chain. Consumer prices for example fluctuate less than prices of green coffee on the world market. The degree of fluctuation depends strongly on the way prices are determined (de Jong, 1997). Determination of prices depends in the first place on the type of prices. World coffee prices are largely set on the futures and forward coffee markets. The quantity traded on these markets is much larger than actual trade in coffee. Prices are determined on the world market by means of speculation and arbitrage. Since coffee prices are influenced by speculation, pricing depends strongly on expectations about future supply and demand. Local

coffee prices may differ between several coffee producing countries.

Coffee marketing starts at the farm gate and ends at the consumer level. In Kenya, there are two distinct Coffee-marketing channels, one for the Co-operatives and the other for the estates. The difference in the two channels is mainly at the primary processing level. The smallholder farmers (farmers with less than 2 ha under Coffee) deliver their cherry to Co-operative factories for primary processing as compared to the estate farmers who have processing factories located in their farms. Primary Coffee processing involves cherry sorting, pulping (removal of the out skin), fermentation, drying and storage. Dry cherry (mbuni) is usually bulked at the farm and delivered to the factory for onward transport to the millers. Some isolated smallholder farmers especially the ones not near a Co-operative society use hand pulpers to process their Coffee in their farms.

To ensure that payouts for all coffee outturns delivered to auction agents are released to the grower, a summarized report should be made and submitted to the farmer at the end of the marketing season however Kegode (2005) noted that this has caused dissatisfaction amongst many farmers in the Kenya. With this practice not in the current marketing policy, cases of un-cleared payouts cannot be reasonably ruled out in the past coffee auctions. It is now not a secret that coffee produced in Kenya does not arrive at the global markets as Kenya coffee. This happens because Kenyan dealers proceed to blend the low quality coffees sourced from neighbouring countries with the premium Kenya coffee tags. This undermines the image of Kenya coffee in the global markets as neat Kenya coffee and not adulterated Kenya coffee. This is the only way to protect and sustain the premium bonus offered to Kenya coffee at the global market. The Kenya government

should act this way, viewing blending as an economic offence against Kenya coffee growers and Kenya as a country, however, the market is likely to argue that blending is a necessary evil in the coffee trade, because essentially the roasters over time establish a blend that suits their clientele and are careful not to use very expensive coffees, in designing their blends. Kenya coffee, has suffered in consistency of supply and therefore has been substituted by other cheaper but equally fine coffees.

#### **Commission Charged, services rendered and Members' satisfaction Level**

As any other enterprises do Co-operatives need to also periodically control and evaluate their marketing activities. There are basically four types of marketing controls in many companies including cooperatives, namely: annual plan control, profitability control, efficiency control, and strategic control. However, in spite of a serious need to monitor and control marketing activities, many companies including Co-operatives have inadequate control procedures (Kotler, 2003).

Market performance evaluation must combine various types of analysis that would provide the basis to analyze the functioning of the system, explain efficiencies, and assess the potential for and means of improving in relation to economic efficiency or other objectives. Firm organization, management structures, motivation and incentive arrangements, and decision-making rules and processes were seen as having important influence on the efficiency of operations. This approach suggests that performance of marketing system can be analyzed by looking on the productive efficiency (the combination of technical and operational efficiency) of each firm in the system (Scarborough and Kydd, 2002).

Tilahun (2007) further established that study in Ethiopia farmers satisfaction levels on marketing channels used found out that out of 120 sampled members 72

(60%) of them reported that they were satisfied in their cooperative services while the rest 48 (40%) reported that they were dissatisfied. In the same way, the sampled household revealed that, their satisfaction and dissatisfaction on the overall performance of their cooperative was in the proportion of 47 (39.17%) and 73 (60.83%) respectively.

#### **2.4 Advance Payments for Coffee Delivered , Marketing and Members' Satisfaction Level**

Tilahun (2007) observed that cooperatives are expected to render various services like payment of patronage refund, price information, provision of credit, transportation services, training, Better price than other traders, genuine scaling, accessibility to sell produce, storage services, immediate payment, management/ expert advice and activities in environmental services. Concerning to cooperative services satisfaction analysis in this study, the following was observed. Observation was analyzed by summing up very satisfied, moderately satisfied and satisfied categories as satisfied and dissatisfied / very dissatisfied as dissatisfied. Out of the sampled members in the study area, the result revealed that, 73.33%, 60.83%, 12.5%, 40%, 23.33%, 66.50%, 63.33%, 66.67%, 34.16%, 68.34%, 46.66% and 51.50% were satisfied on payment of patronage refund, price information, provision of credit, transportation, training better price than other traders, genuine scaling, accessibility to sell produce, storage services, immediate payment, management/ expert advice and activities in environmental services availed by their cooperatives respectively. This revealed that credit, transportation, training, storage, management / expert advice and activities in environmental development services dissatisfied the greater number of the members. According to Kelly and Foote (2013) customized farm credit helps

individual producers to purchase inputs like organic fertilizers and seed stock to increase agriculture productivity or adapt to climate change

### 3. Methodology

In order to investigate the influence of coffee marketing agency services on members satisfaction, the study used both quantitative and qualitative data. Quantitative data collection was carried out with a questionnaire, while interview

schedules were conducted to gather qualitative information.

The target population of the study was 1122 members who comprised of ordinary members and management of four cooperative societies in Songhor division. Out of this target population a sample size of 385 respondents was derived using Morgan and Krejcie table. The distribution of the target population is shown in Table 3.1.

Table 3.1 Target population

Category	Number
Management	36
Kaabirer FCS	191
Kabunyaeria FCS	476
Kibukwo FCS	241
Kapkiyai FCS	178
<b>Total</b>	<b>1122</b>

Source: Songhor Co-operative Societies

### 4. Results

Influence of Timely Coffee Payments on Members' Satisfaction Level in Songhor Division.

The first objective of the study sought to determine the influence of timely coffee payments on the levels of members'

satisfaction in Songhor Division, Nandi County. At first, the members were asked to provide information on how long it took for coffee to be paid after being sold by their cooperative societies. Results are presented in Table 4.6.

Table 4.1 Period of coffee payments to members after being sold

Period of coffee payments	Frequency	Percent
One month	97	34.9
Three months	65	23.4
Two weeks	60	21.6
Two months	52	18.7

One week	4	1.4
<b>Total</b>	<b>278</b>	<b>100.0</b>

**Source: Authors**

It is clear that 97 of the respondents (34.9%) of members said that they are usually paid after one month, 65 respondents (23.4%) indicated that they were paid after three months, 60 respondents (21.6%) said that it is usually after two weeks, 52 respondents (18.7%) said that they are paid after two months while only 4 of the respondents (1.4%) said that they are paid after one week. The

result shows that there is laxity in coffee payments being made to farmers as opposed to the recommended period of two weeks proposed by coffee Act of 2001. To establish the members level of satisfaction on timely coffee payments, descriptive analysis was conducted and the summaries of the findings are presented in Table 4.7.

Table 4.2 Descriptive statistics on influence of timely coffee payments on members' satisfaction level

Statement	N	Min	Max	Mean	Std. Deviation
Our cooperative society does not take long time in repayment of coffee delivered	278	1.00	5.00	3.4460	1.24693
We are usually paid after making protest to the factory management	278	1.00	5.00	3.1043	1.42689
Farmers get paid after the coffee is sold to the exporter	278	1.00	5.00	3.9245	.98254
The society provides a pre - financing arrangement with farmers	278	1.00	5.00	3.7554	1.18560
<b>Valid N (listwise)</b>	<b>278</b>				

**Source: Authors**

Results of the study shows that majority of the members are either satisfied or dissatisfied ( $M = 3.45$  and  $sd = 1.24$ ) on the statement that their cooperative does not take long time in repayment of coffee delivered. This is also justified with the figures of standard deviation of (1.25) being far away from the mean together with the maximum and minimum scores indicating that some of the members stated that they were paid early while other

indicated that they are not paid. This also agrees with the previous result that showed that members' are paid at different times after their coffee is sold to an extent whereby some are paid after three months. This lowers members' satisfaction level and some could even sell their cherry or buni to middlemen for quick payments.

Moreover, results also showed divided opinion amongst members that they are



usually paid after making protests to factory management (M=3.10 and sd =1.4). This shows that most members seems to be making protests to their FCS in case their coffee payments were delayed. However, respondents seem to agree (M=3.9 and sd=0.98) that farmers get paid after the coffee is sold to the exporter. This is evident with low standard deviation value (0.98) that suggests that members were optimistic that once their coffee was sold to exporter, payments were likely to come.

Finally, the study findings also reveal that members agreed that their society provides a pre-financing arrangement with farmers (M=3.75 and sd=1.18) although a significant few seem to be satisfied with pre-financing arrangements as envisioned by standard deviation figures. This shows that pre-financing arrangements are made

to farmers by some cooperative societies within Songhor Division before the actual payment is made. These could boost farmer moral and their loyalty towards supplying the cherry berry to the cooperative society.

#### 4.2 Influence of Coffee Prices on Members' Satisfaction Level in Songhor Division

The second objective of the study sought to determine the influence of the amounts of money paid on coffee sold on the level of members' satisfaction. Members were asked to rate the extent to which they agreed or disagreed on various statements concerning their satisfaction levels on the amounts of money being paid for their coffee having in mind that coffee payments are usually paid according to its quality. Descriptive results are in Table 4.8.

Table 4.3 Influence of coffee prices on members' satisfaction level in Songhor Division

	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
Our coffee get the best process in the market and hence farmers directly benefit	278	1.00	5.00	3.1043	1.39102
We are paid accordingly with our coffee grade delivered to the factory	278	1.00	5.00	3.3058	1.20919
We are happy with the amount paid on our coffee delivered for marketing	278	1.00	5.00	2.8489	1.35377
We usually have meetings to deliberate on the amount of money to be paid to farmers on the coffee delivered for marketing	278	1.00	5.00	3.1763	1.27226
We have right to bargain collectively on coffee prices	278	1.00	5.00	2.7050	1.52217
The quality of the coffee influences the coffee prices	278	1.00	5.00	3.6079	1.29740

Our lifestyle has improved due to good coffee prices being paid to us	278	1.00	5.00	3.5647	1.26082
Our society provides competitive prices for our coffee delivered	278	1.00	5.00	3.5324	1.16695
<b>Valid N (Listwise)</b>	<b>278</b>	<b>1</b>	<b>5</b>	<b>3.2307</b>	<b>1.3092</b>

**Source: Authors**

Results showed that a section of members are unsatisfied while others are satisfied (M=3.1 and sd=1.39) with the amount of money their coffee fetches in the market and this could be due to their quality or even bargaining power of their cooperative marketing agents. The high scores for standard deviation showed that some farmers were content with the amount of money that their coffee berry fetched while others were discontent. This could be a factor for dissatisfaction and anger that members develop towards their cooperative society.

Furthermore, findings of the study revealed a mixed responses (M=3.33 and sd =1.2) whereby majority of respondents were undecided that they were paid according to the coffee delivered to the FCS. This shows that farmers some farmers are not satisfied with the amount of money they are being paid by their FCS as a result of delivering the crop for processing and marketing. Asked as to whether they were happy with the amount paid on their coffee delivered for marketing, most of them disagreed with the statement (M=2.8 and sd =1.35). Only a section of the members reported their satisfaction and content with services rendered to them by their cooperative.

Asked as to whether their FCS do invite members on consultative meetings to deliberate on the amount of money to be paid to them on coffee delivered, results showed that most of them were undecided (M=3.1 and sd=1.27). They further said that the information for such meetings is not usually passed to all members but a

few thereby creating issues of mistrust among members to the leaders of their societies. This could influence the satisfaction and motivation of members to supply their berries for marketing. In addition to the results reveal that members disagreed (M=2.7 and sd=1.5) with the statement that members had a right to bargain collectively on coffee prices. This shows that lack of collective consultation between cooperative societies and its members creates on deliberations on amount of money to be paid and collective bargaining agreements creates a form of dissatisfaction among them leading to reduction in amount of coffee delivered to FCS.

In terms of the level of skills and knowledge on how coffee prices are usually dictated at, a significant seemed to agree (M=3.6 and sd =1.2) that the quality of the coffee influenced coffee prices. This implies that members are satisfied with the fact that they could not claim high coffee prices for low quality of coffee delivered for marketing since coffee prices are dictated by quality of the coffee delivered by farmers to their cooperative. On a positive note, statistics showed that members agreed (M=3.5 and sd =1.26) that their society provided competitive prices for their coffee. This signals the improvement in coffee farmers' livelihood standards occasioned by better prices being provided to them by their cooperative societies in Songhor Division, Nandi County. On average, results of the study showed that farmers had the understanding that for their coffee to fetch

good prices, they had to produce good quality berries in return for higher profit for their crops. This although was found not to be across all the respondents as suggested by the average means findings and standard deviation ( $M=3.2$  and  $sd=1.3$ ) that suggested that some members had divided opinion on their satisfaction levels on the coffee prices being offered to them by their cooperative society.

#### 4.2.1 Selling of Coffee to the Cooperative Society

Farmers were asked whether they sold coffee through their cooperative society. This was to find out whether farmers had reservations on the amount of money being paid by society was justified or not. Results are presented in Table 4.9.

Table 4.4 Selling of coffee to cooperative society

	Frequency	Percent
Yes	253	91.0
No	25	9.0
<b>Total</b>	<b>278</b>	<b>100.0</b>

**Source: Author (2013)**

Findings show that majority 253 respondents (91%) sold their all coffee berries through their FCS while 25 respondents (9%) said that they did not sell all their coffee through the FCS because they wanted to look for other alternative through which they can get affordable prices for their coffee and early payments.

Table 4.5 Farmers preference for selling coffee outside their society

Preference	Frequency	Percent
When the price is 140 sh higher	104	37.4
I would not sell	65	23.4
When the price is 60 sh higher than the society price	41	14.7
When the price is 80 sh higher	36	12.9
When the price is 100 sh higher	16	5.8
When the price is 120 sh higher	16	5.8
<b>Total</b>	<b>278</b>	<b>100.0</b>

**Source: Authors**

When probed further regarding whether they could be tempted to sell their coffee

to other individuals or private firms based on prices offered being more than their

cooperative, 104 respondents (37.4%) said that they would do so when the price is Ksh.140 per kilogram higher than their society while 65 of the respondents (23.4%) said that they won't sell their cherries to other individuals due to the higher price temptations. This result showed that most members even if they were contracted by their cooperative society to supply coffee, 76.6% of the respondents were willing to sell to other buyers if there was a significant increase of the money offered to them. Results show that most look for bidders who will come with the highest increase as

compared to the rates provided by their FCS.

#### 4.2.2 Type of House Structure That FCS Members Live

It was assumed that the since farmers in Songhor Division relied on coffee as their main cash crop, the money generated from the coffee sale would improve their household economic status. Therefore the respondents were asked to state the type of houses that they lived in as given in Table 4.11.

Table 4.6 Type of house FCS member lived in Songhor Division

House type	Frequency	Percent
Mudded walls and iron roof	180	64.7
Mudded walls with thatched roof	37	13.3
Wooden house	26	9.4
Brick / concrete house with cement floor	21	7.6
Brick/concrete house with mud floor	14	5.0
<b>Total</b>	<b>278</b>	<b>100.0</b>

#### Source: Authors

Results reveal that majority, represented by 180 respondents (64.7%) of the members live in houses with mudded walls and iron roof structures, 37 respondents (13.3%) said that they live in mudded wall with thatched roof structures, 26 respondents (9.4%) lived in wooden houses, 21 respondents (7.6%) lived in brick / concrete house with cement floor while 14 respondents (5%) lived in brick / concrete house with mud floor. The result implies that farmers are living in dilapidated houses since their coffee prices do not fetch good amount of money capable of changing their household structures. This showed that majority of farmers are dissatisfied with the amount of

coffee prices being provided by their cooperative societies and this is why some of them are tempted to sell the berries to other individuals or companies in expectation of reasonable income for their produce.

#### Influence of Commission Charged for Services on Members' Satisfaction Level in Songhor Division

The third objective of the study sought to establish the influence of commission charged for services rendered on members' satisfaction. These comprises of taxes, levies and operational costs incurred by cooperative societies in processing of coffee for marketing purposes. Members

were asked to state their level of agreement on various statements regarding

commission charged on coffee processing and the results are as given in Table 4.11.

Table 4.7 Descriptive statistics influence of commission charged for services on members' satisfaction level in Songhor Division

Statement	N	Min	Max	Mean	Std. Deviation
We are aware of all commissions being charged by the society to members	278	2.00	5.00	3.8273	.67901
The commission rates charged on coffee processing and marketing are known to members	278	1.00	5.00	3.7626	.75125
The costs of processing and marketing coffee is fairly divided amongst all members	278	1.00	5.00	3.6475	.70954
We usually pay for commission agent fees who in turn look for markets for our coffee	278	1.00	5.00	3.1079	1.01747
We are usually double taxed on coffee delivered to the society	278	1.00	4.00	2.2338	.90287
<b>Valid N (Listwise)</b>	<b>278</b>				

**Source: Authors**

The respondent are seen to agree (M=3.82 and sd=0.67) with the statement that they are all aware of all commissions being charged by the society to members. This implies that most FCS provides information to members regarding various levies being charged to them as part of marketing agency services. Further, respondents were found to agree (M=3.7 and sd=0.75) that the commissions rates charged on coffee processing and marketing are known to members. They also seem to agree on the statement (M=3.64 and sd=0.71) that the costs of processing and marketing coffee is fairly divided amongst all members. The standard deviation values for the three variables denotes that divergence is not far as such from the mean and therefore justifies farmers level of satisfaction on the openness of their FCS towards commissions levied for coffee processing and marketing to members.

However, results of the study showed mixed response (M=3.11 and sd =1.01) on whether members paid for commission agent fees who are given the work of looking for markets for farmers coffee. Moreover, majority of the respondents were found to disagree (M=2.23 and sd =0.9) with the statement that they are usually double taxed on coffee delivered to the society. In general, the result of the study confirms the positive influence of commission charged for services rendered on the level of members' satisfaction.

**Influence of Advance Payments for Coffee Delivered For Marketing on Members' Satisfaction Level in Songhor Division.**

This is the last objective of the study that sought to find out the influence of advance

payments for coffee delivered for marketing on members' satisfaction. The members were asked whether their

cooperative society gave them advance payments for the coffee delivered for marketing. Results are illustrated below.

Table 4.8 whether members cooperative give coffee advance payments for the coffee delivered for marketing

Frequency of advance payments	Frequency	Percent
Occasionally	143	51.4
Rarely	64	23.0
Always	61	21.9
Never	10	3.6
<b>Total</b>	<b>278</b>	<b>100.0</b>

**Source: Authors**

Results showed that 143 respondents (51.4%) of members said that advance payments are occasionally provided to them by their FCS, 64 respondents (23%) indicated that they are rarely given advance payments, 61 respondents (21.9%) said that they are always given advance payments and 10 respondents (3.6%) said that they have never been given advance payments for the coffee

delivered for marketing. The result implies that most FCS within Songhor division are not in a position to provide advance payments to farmers as result of them delivering their coffee cherry for marketing. Further, the study wanted to know whether farmers were provided with sufficient access to credit for purchasing farm inputs and the results are presented in Table 4.13.

Table 4.9 whether members are provided with sufficient access to credit for purchasing farm inputs

Provision of credit for purchasing farm inputs	Frequency	Percent
Always	174	62.6
Rarely	64	23.0
Occasionally	38	13.7

Never	2	.7
<b>Total</b>	<b>278</b>	<b>100.0</b>

**Source: Authors**

Most of the respondents represented by 174 farmers (62.6%) agreed that they always receive credit for purchasing farm inputs for coffee farming from their cooperative society, 64 respondents (23%) said that they rarely received, 38 respondents (13.7%) said that they occasionally received while 2 respondents (0.7%) said that they have never received credit on farm inputs from their society. The result indicates that despite most FCS not providing advance monetary payments to farmers for their coffee delivered for

marketing, most of them do provide agricultural inputs like fertilizers and chemicals as part of advance payments.

**4.5 Satisfaction Levels of Coffee Farmers**

As the main dependent variable for the study, it sought to determine the respondents' perception regarding their satisfaction levels on being a coffee farmer in Songhor division, Nandi County. Here are the results.

Table 4.10 Satisfaction levels of coffee farmers

Statement	N	Min	Max	Mean	Std. Deviation
I am satisfied with being a coffee farmer	278	1.00	5.00	3.8849	.71173
Being a coffee farmer offers me sufficient opportunities	278	2.00	5.00	3.8129	.72668
I want to do something else than coffee farming	278	1.00	5.00	2.5755	1.23708
I do not like being a coffee farmer	278	1.00	5.00	2.4676	1.30979
<b>Valid N (Listwise)</b>	<b>278</b>				

**Source: Authors**

Results showed that (M=3.88 and sd=0.71) farmers were satisfied with being a coffee farmer. In addition, members agreed (M=3.81 and sd=0.72) that being a coffee farmer provided them with sufficient opportunities. This shows that most farmers in Songhor division are satisfied with being involved in coffee farming.

**4.7 Statistical Testing of Hypothesis**

The study sought to test the following four hypotheses on the influence of coffee agency marketing services on members' satisfaction. A correlation analysis was computed at 0.05 significant level and the results are presented in Table 4.11.

Table 4.11 Correlations

Independent variable		Members satisfaction
Timely coffee payments	Pearson Correlation	-.076
	Sig. (2-tailed)	.204
	N	278
Coffee prices	Pearson Correlation	.061
	Sig. (2-tailed)	.310
	N	278
Commissions charged	Pearson Correlation	.436**
	Sig. (2-tailed)	.000
	N	278
Advance payments	Pearson Correlation	.354**
	Sig. (2-tailed)	.000
	N	278

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Authors**

**H<sub>01</sub> There is no significant influence of timely coffee payments on members' satisfaction**

The null hypothesis is accepted that there is no significant influence of timely coffee payments on the level of members' satisfaction ( $p > 0.01$ ). This is justified with the fact that most farmers said that coffee payments are delayed to a period exceeding three months.

The second null hypothesis for the study stated that;

**H<sub>02</sub> There is no significant influence of the amount paid on the level of members' satisfaction**

Considering the statistical results, the null hypothesis is accepted that there is no significant influence of the amount paid on the level of members' satisfaction ( $p > 0.01$ ). This is because the coffee prices were found to be less and not competitive as farmers envisaged.

The third objective of the study stated that;



**H<sub>03</sub> There is no significant influence of commission charged for agency services on the level of members' satisfaction.**

The correlation results shows the significance of the influence ( $p < 0.01$ ) of commission charged for agency services on the level of members' satisfaction. This led to the rejection of the null hypothesis in the study. This is due to the fact that majority of respondents were aware of all charges that their society levied on them.

The fourth objective of the study stated that

**H<sub>04</sub> There is no statistical significant influence of advance payments by cooperatives on the level of members' satisfaction**

Table 4.16 Challenges in coffee marketing in Songhor Division

Challenge	Frequency	Percent
Coffee price fall	170	61.2
Transport	80	28.8
Grading system	72	25.9
Market information	53	19.1
Price setting	49	17.6
Labour shortage	46	16.5
Credit	28	10.1
Scaling/weighing	25	9.0
Double tax	21	7.6
Theft	20	7.2
Operational/Management know-how	17	6.1
Packing materials	12	4.3
<b>Total</b>	<b>278</b>	<b>100.0</b>

**Source: Authors**

The main challenge that members of Songhor cooperative faced in the

Results on the last objective of the study indicated that there exist significant positive ( $p < 0.05$ ) influence of advance payments by cooperatives on the level of members' satisfaction. This led to the rejection of the null hypothesis ( $p < 0.05$ ). This was due to the fact that 77% of members said that they were very satisfied with being coffee farmers.

**4.8 Challenges of coffee marketing in Songhor Division**

The respondents were asked to state the problems that they faced in coffee marketing in their area. The results are given in Table 4.16.

marketing of their coffee were; coffee price fall (61.2%), transport problems

(28.8%), grading system (19.1%), market information (19.1%), price setting (17.6%) among other challenges presented in the findings above.

## 5 Conclusions

The study established that 77.3% of farmers were satisfied of being coffee farmers while 68.3% said that being a coffee farmer offered more sufficient opportunities for agricultural development in Songhor Division. The common varieties found to be grown in the division were Ruiru 11 and Batian varieties. SL28/34 and K7 varieties were less grown by farmers in the division. Despite growing coffee as the main cash crop in the area, findings of the study showed that coffee payments were made late and this reduced members satisfaction levels ( $p>0.01$ ). They said that it took the society management long time to pay for coffee delivered but some of the members said that their cooperative societies only took 2 – weeks for their payments to be processed while other said that they protested to the society offices to demand their payments.

It was also noted that there existed problems in the amount of coffee being paid to farmers in Songhor division. Although farmers had real knowledge on their coffee grade, some of them suggested that their FCS management did not have the capacity of looking for best prices for their produce in the coffee auction market. The influence of the amount of money being paid to farmers for the coffee delivered to the FCS contributed to household development but some members reiterated that they did not deliver all of their coffee harvest to the society but looked for middlemen who could offer instant cash as opposed to delayed payments by their society. Further results revealed that most members were living in dilapidated households as 64.7% were found to be living in mudded walls and iron roof and only 7.6% of the members were found to be either living in

concrete / bricked cemented households. The null hypothesis was accepted ( $p>0.01$ ) that there was no significant influence of the amounts of money paid on coffee sold on the level of members' satisfaction.

Results on the study showed that there was significant ( $p<0.01$ ) influence of commissions charged for services rendered on the level of members' satisfaction. The respondents were aware of all commissions being charged by the society to members and the costs of processing and marketing coffee is fairly divided amongst all members. This showed that members were satisfied on the commission charged on agency services provided for them.

Finally, the results of the study showed that there existed significant ( $p<0.01$ ) influence of advance payments for coffee delivered for marketing on the level of members' satisfaction. The farmers agreed that they were given advance payment for coffee on occasional basis while sufficient credit for purchasing farm inputs was guaranteed to them.

## References

- Anteneh, A. Muradian, R. & Ruben, R. (2011). *Factors Affecting Coffee Farmers Market Outlet Choice. The Case of Sidama Zone, Ethiopia*. Paper prepared for the EMNet 2011 in Cyprus (Dec. 1 – 3).
- CBK (2012). *Coffee industry review. Coffee Board of Kenya (CBK)*, Technical department Report.
- Coffee & Tea and Trade & Industry ministries, (2002). *Agricultural Commodities Marketing*.
- CRF (2012). *Strategies to enhance coffee production in Kenya. Coffee Research Foundation (CRF)*, Technical Committee Report.
- Hazel, P (2006) *Could future markets help growers better manage coffee risks in Costa Rica?* EPTD Discussion paper No.57. International food policy research

- institute 2033 K Street, NW.Washington  
DC, 2006 USA.
- Kegode, (2005). *Economic Governance of Coffee Sector- Focus Central Province*. Paper Submitted to Center for Governance and Development.
- Kelly, B.P and Foote, W.F. (2013) *Feeding hungry coffee farmers. Green mountain coffee roasters .Inc*. Cambridge.
- KIPPRA (2012). *Value Addition in Coffee Industry in Kenya: Lessons from Cut Flower Sector*. ICBE-RF Research Report No. 21/12.
- Kombo, D.K. & Tromp, D.L.A (2006). *Proposal and Thesis Writing: An Introduction*, Nairobi: Paulines Publications Africa.
- Mureithi, L.P., (2008). *Coffee Kenya: Some challenges for decent work*. A sectorial working paper presented to the International Labour Office, Geneva.
- Nduati, (2012). *Factors influencing service provision by Cooperative societies in Kigumo District, Murang 'a County, Kenya*. MA Project, University of Nairobi.
- Oso, W.Y. & Onen, D. (2005). *A genera guide to writing research proposal and report: A handbook for beginning researchers*. Kisumu: Options Printers and Publishers.
- TadesseKuma, (2006). *Marketing smallholders' Coffee in Ethiopia: Does Market Reform Improve Producers' Share*. Agricultural Economics Society of Ethiopia. Addis Ababa.
- Tang, T.L. & Roberto, R.L. & Toto, S (2004). From Income to Pay Satisfaction. The Love of Money and Pay Equity Comparison as mediators and Gender as Moderators. *Management Research*, 3(1), 7-26.
- Tilahun, D (2007). *Performance of coffee marketing co-operatives and members'; satisfaction in dale district: SNNPRS-southern Ethiopia*. M.Sc. Thesis. Haramaya University.
- UNIDO (United Nations of Industrial Development Organization), (2004). *An Industry study commissioned by Ethiopian Trade and Industry Ministry*. Addis Ababa.