

***PRACTICES AND CHALLENGES OF ILLEGAL TRADE OF
COFFEE IN GOMMA WOREDA, OROMIA REGIONAL STATE,
SOUTH WEST ETHIOPIA***

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Abstract

The study was conducted to assess the practices and challenges of illegal trades of coffee in Goma Woreda. This study is important to increase the size of coffee to be exported through tackling the problems to be exerted in minimizing it. That raises hard currency of the nation. Also woreda's annual revenue can be increased. The research design preferred for this study is descriptive and explanatory because it the research finds whether the problems exist or not. It is descriptive because it tries to describe the extent and existence of the illegal trade of coffee and to distinguish the major problems related with the increment of illegal trade of coffee in the study area. The study was used quantitative approach to gather the coffee stockholders' opinions. Questionnaire was prepared in the form of close-ended. The prepared questionnaires have been disseminated to 249 coffee stockholders and 210 of them filled and returned. Also 12 coffee stockholders have been interviewed and formal discussion was carried out with 31 coffee producers. For this study the target populations were coffee producers, coffee processors and coffee suppliers governmental offices of coffee stockholders in Gomma Woreda and Agaro Town. Agricultural and Rural Development Office of Gomma Woreda is legal responsibility in the coffee production and coffee market value chain. For the study the samples of Coffee producers, collectors, suppliers and processors were selected by stratified sampling method. According to Kothari (2005), a total of 323 respondents were fixed proportionally as a sample for this study. After the data were collected the collected data were compiled, edited and coded into categories using numeric values after assessing its consistency and relevance to the study. Then, the data was analyzed quantitatively with appropriate tools of data analysis. Analysis of quantitative data was achieved using Statistical Package for Social Sciences, SPSS. correlation analysis model was employed on this study. According to the finding of this study, practices and challenges of illegal trades of coffee are price difference, market situation poor treatment for stockholders and lack of application of the law in Goma Woreda. The way of controlling and directing mechanism by now is very poor in the study area. All processed coffee are not supplied to ECX especially sun dried coffee because of illegal activities. This creates a loss for the country which share the advantages which the country has got from coffee industry. Thus, the government should have to enforce to strengthen the legal controlling system to tackle this great loss.

Key terms: Illegal trade of coffee, Price difference, Market situation, Legal control, Poor treatment

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Acronyms and abbreviations

GWHO	Goma woreda health office
CMQCP	Coffee marketing and quality control proclamation
GWARDO	Goma woreda agricultural and rural development office
GDP	Gross domestic production
Kun.	Quintal
Hek.	Hectometer
E.C	Ethiopian Calendar
ECX	Ethiopian commodity exchange
GWAO	Gomma Woreda Administration Office

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Illegal trades is defined by Babylon's free dictionary as the goods or services themselves may or may not be illegal to own or to trade through other ,legal channel. Because the transactions are illegal, the market itself is forced to operate outside the formal economy that is supported by the established power.

According to World Wildlife Fund (2007) illegal trade of coffee is buying or selling Robusta coffee grown in the Indonesian park is taken as illegal trade of coffee because it is the case for destruction of Rhino, Tiger, and Elephant habitat Bukit Barisan Selatan National Park. But this definition doesn't include trading activities within a country or as international level that may hurt nations' hard currency. This has been done only to save wildlife.

According to Coffee Marketing and Quality Control Proclamation (CMQCP 2017), every trading activity of coffee that contradicts regulation law of the country is illegal trade of coffee or it is accused as a crime. CMQCP says: "Coffee trade" means acts including buying coffee from producers or produce, processing and supplying to the Ethiopia Commodity Exchange, exporting row or roasted or roasted and grinded coffee, distributing, retailing with license from the appropriate government organ". According to this proclamation everyone who doesn't has licensee from appropriate government organ must not participate in coffee trading activities. Otherwise it is illegal trade of coffee.

Researchers have conducted on some illegal trades nationally as well as internationally but not on illegal trade of coffee. The coffee industry dominates agriculture sector in its contribution to the national economy in general and the export sector in particular. Coffee is the second most traded commodity in the world market after petroleum. More than 80 developing countries produce and export it to the world market. For many of these countries, coffee is the most important source of hard currency one of which being Ethiopia (Yared Barhe, 2010)

Ethiopia forms one of the oldest countries which used to trade coffee. Now many even believe that Ethiopia is the oldest coffee producer, consumer and exporter in the world (Ethiopian Commodity Exchange(ECX), 2008). Ethiopian merchants used to trade coffee in caravans of mules, camels, and donkeys for many centuries. Starting from the late nineteenth century in particular, coffee forms one of the most important cash crops of the country (Girma Adugna *et al.*,2007).

It used to be exported even to far destinations like London, New York, Trieste and Marseilles (Yared Barhe, 2010). Even presently, coffee is the most important commodity in the country in many respects. It accounts for about 25% of the GNP, 40% of the total export and 10% of total government revenue. Though decreasing from time to time due to increase in number and quantity of other export items, coffee, historically, used to account for about 60% of the total export revenues (Ibid)

Moreover, the coffee industry is labor intensive sector. It employs hundreds of thousands of people in processing of either red cherry (*key eshet*) or dried pulp coffee (*jenfel*) in the washing stations and hulling mills. Before it gets ready for export, coffee also goes through further processing, polishing, cleaning, and sorting. Generally, the sector employs about 25% of the Ethiopian population in different capacities like production, processing and marketing. Thus, the life of one out of four Ethiopians depends on coffee. This makes the crop the most important commodity in the country (Ibid).

More than 80 percent of the population in Ethiopia lives in rural areas and their main source of income is agriculture. Agriculture accounts for 45 percent of the Gross Domestic Product (GDP) and employs 85 percent of the labor force. Export of agricultural products constitutes 86 percent of the total foreign exchange earnings Tigist Yifru (2015).In Ethiopia coffee has high economic position for governmental revenue ,coffee producers(farmers) , brokers, local traders, bankers, transporters, exporters , processors and also it builds high social bond (Girma Bayu June 2017).

Coffea Arabica accounts 80 % of the world markets and Ethiopia is its genetic diversity and origin. Ethiopia is not only its origin but also the highest producer, exporter and consumer in Africa (Girma Bayu June 2017).

This subsector of accounts for over 35% agricultural exchange earnings and about 4% of GDP, also it provides an important governmental revenue and coffee green exports from Ethiopia accounted for approximately 3.31% in value of world coffee green exports between the years 2001-2010 (David Boansi and Christian Crentsil ,August 2013). Second to the petroleum coffee is the most valuable commodity exported from developing countries including Ethiopia (Colleen Haight ,2011). Coffee is beyond simple commodity to Ethiopia. The life of one out of four Ethiopians directly or indirectly depends on coffee. Moreover, more than 40% of the country's foreign earnings come from this commodity (Girma Bayu, 2017).

Coffee is consumed in large quantities locally: Ethiopians have deep culture of drinking coffee. This type of consumption is found in almost every household and coffee house of different size are spreading out across all corners of the country. Also there is other type of consumption. According to statistics from the international coffee organization Ethiopia is 5th in the world total production and its Arabica beans are recognized internationally for their high quality. But Ethiopians, African's top coffee consumers, want to keep beans at home. With urban income rising, Ethiopian drinkers increasingly want better quality.

In most cases, the domestic price is higher than international prices and as a result exporters are reluctant to export their product into international markets and prefer to sell at home. In contrast to this, the government want the export in general to be promoted for the fact that harder currency (Assefa Muluge ,May 2018)

Even though coffee is produced and traded widely in the Goma Woreda, the market system of coffee is due attention. Coffee is an export commodity for Ethiopia. However, it is widely observed that illegal trade of coffee in Gomma Woreda. This condition harms the income of coffee producers and revenue for the Woreda's Administration. So, it is important to distinguish the practices and challenges of the illegal trades of coffee which taking place widely in the Woreda.

1.2 Background of the study area

Gomma is one of the woredas in Jimma Zone of Oromia Regional state of Ethiopia. The woreda is bordered on the south by Seka Chekorsa, on the southwest by Gera, on the northwest by

Setema, on the north by the Didessa River which separates it from the Illubabor Zone, on the northeast by Limmu Kosa, and on the east by Mana. Towns include Beshasha, Choche, Ghembe, and Limmu Shaye (wikipedia, 2019).

The altitude of this woreda ranges from 1,380 to 1,680 meters above sea level; however, some points along the southern and western boundaries have altitudes ranging from 2229 to 2870 meters. A survey of the land in this woreda shows that 60.7% is arable or cultivable (52.7% was under annual crops), 8.1% pasture, 4.6% forest, and the remaining 20.1% is considered swampy, mountainous or otherwise unusable. Coffee is also an important cash crop in Gomma; over 50 square kilometers are planted with this crop (Ibid).

This woreda contains a place where is believed to be the origin of coffea Arabica called kata Muduga (at the north east and about 10km from Agaro town) (Goma woreda's Cultural and Tourism Office). Coffee variety in the woreda is homogeneous (100%) Coffea Arabica. This woreda has 93657.72 hek. farm land and its (45.233%) or 42364 hek. is occupied by coffee plantation. Most of coffee plantations are owned by farmers with small scale and only 3434hek or 8% is by investors (Goma Woreda's Land and Environmental Protection Office, 2019).

Coffee industry in the woreda includes 35 coffee hulling and 54 coffee pulping mills. There are 41 kebeles including 5 small town administrations. In addition, Agaro town is the capital city of the woreda (GWARDO, 2019). Akrabies (chagn) are those collecting coffee from local collectors and processing through industries are known as coffee suppliers. And finally selling to Ethiopian commodity exchange (ECX) are 60 and local coffee collectors (sabsabies) are not known legally but they are many in number. There are 23 farmers' cooperatives participating in coffee trading activities (collecting, processing and marketing) and these cooperatives have their own industries that processes washed coffee with parchment(Ibd).

The projected population for this woreda of 297693 of whom 148517 were men and 149176 were women (GWHO, 2019). Among the 36 rural kebeles three of them are incorporated in sample of the study. These are Balfu Konche, Choche and Qota. The coffee suppliers and coffee processors are mainly found in Aggaro Town. So, the town is included in the sample frame .

Table 1.1: Kebeles coffee productivity level

	Degree of productivity	No. of kebeles
1	High	31
2	Mediam	4
3	Low	1
4	Total	36

Source: GWARDO, 2019

1.3 Statement of the major problem

Several studies on coffee marketing have been done. Majority of those studies were focused mainly on coffee production and export of coffee. Few of researches have tried to touch coffee value chain. On the other hand, many researchers have conducted on illegal trades of cross border wild animals, drugs and substandard medicine.

Agriculture is the dominant sector in the national economy of Ethiopia. Coffee is one of the back bone of Ethiopian economy. The coffee industry dominates agriculture sector in its contribution to the national economy in general and the export sector in particular (Yared, 2010).

The FDRE has claimed several legal frameworks in order to facilitate the production of coffee as well as to control coffee market system. In addition, the government has established coffee market mediator institution called Ethiopian Commodity Exchange (ECX).

Gomma Woreda is known by its highly coffee production. As a result, there are several coffee producers, coffee collectors, coffee suppliers as well as coffee processors. However, there are several problems are observed which is directly related with coffee market which should have to be studied scientifically in order to tackle the problems.

Kadir (known expert in coffee marketing department) said that “the problem with ECX is a big hindrance for application of regulating law, private exporting companies has a veto power in ECX therefore they monopolize the market & exploit it by price they wish. Secondly ECX has no competitor. That makes marketing with ECX is unfair. That makes searching other alternatives even if it is illegal. Illegal trading activities are turning the product flow in to domestic markets. Therefore quantity of the product being exported is minimized. Secondly, since quality control & ranking is not considered in the illegal trading, either producers or traders

become careless about the quality. The 3rd problem is consuming/transacting washed or quality coffee domestically is criminal according to the regulation law”.

Since producers' product makes bloggers prosperous & neglecting coffee farmers from gaining fair income, their moral to increase productivity & to take care of its quality is declined. On the other side legal traders are attracted toward illegal activities.

Governmental interest toward coffee product is quality coffee for international market & hard currency but consuming quality coffee is high in the district because quality difference has no change on producer's product price even if it contradicts governmental need. Also consuming quality coffee increases as individual life standard gets improvement in urban areas.

In the year (2005-2010 E.C) woreda's average annual production is 99537.7 tone but in the some year only 58999.817 tone was supplied to central market or ECX (GWARDO 2012 E.C). This shows more product flows into local markets.

The purpose of the study is helping the researcher in identifying practices and challenges of the problem and the study serves as a basic document for potential researchers as a reference and further detailed study on the same area.

In the woreda, there is high illegal trade of coffee is observed. Several coffee collectors (merchants who bought and collect coffee from producers) have no legal license to buy and collect coffee. On the other hand, there are legal frameworks of coffee which helps to lead and control coffee markets. Due to the expansion of illegal trade of coffee the Woreda is losing in millions of revenue annually.

These problems motivated the researcher to conduct scientific study around the problems observed. By this study the extent of illegal trade of coffee was examined. The major problems in existing coffee markets that enforce for the expanding of illegal trade of coffee have been distinguished. The favorable conditions which increasing the illegal trade of coffee been have identified. In general, the practices and challenges of illegal trade of coffee in Gomma Woreda have been gotten solutions by this study.

1.4. Objective of the Study

1.4.1. General Objective the study

The general objective of the study is to assess the practices and challenges of illegal trades of coffee in Gomma Woreda.

1.4.2. Specific objectives of the study

The specific objectives of the study have been stated as follows.

1. To examine the effect of price difference on illegal trade of coffee in Gomma Woreda.
2. To identify the effect of market situation on illegal trade of coffee in Gomma Woreda.
3. To identify the effect of poor treatment of coffee trade stakeholders on illegal trade of coffee in Gomma Woreda.
4. To identify the effect of poor legal controlling system on illegal trade of coffee in Gomma Woreda.

1.5. Research Questions

1. Does the price difference have an effect on illegal trade of coffee in Gomma woreda?
2. Does the market situation have an effect on illegal trade of coffee in Gomma woreda?
3. Does the poor treatment of coffee trade stakeholders have an effect on illegal trade of coffee in Gomma woreda?
4. Does the poor legal controlling system have an effect on illegal trade of coffee in Gomma woreda?

1.6 Significance of the study

The life of Gomma Woreda's people is directly or indirectly depends on coffee industry. Thousands of tones of coffee produced annually in this woreda. Several stakeholders are participated from producers to coffee suppliers and exporters. However, there is no or little proper market system of the coffee is observed. As a result, particularly the coffee producers and government have not got the proper revenue. On the other hand, the extent of this problem and the major practices and challenges of illegal trade of coffee have not been studied well in order to tackle the problem.

This study is important to increase the size of coffee to be exported through tackling the problems to be exerted in minimizing it. That raises hard currency of the nation. Also woreda's annual revenue can be increased. It reduces capital accumulation for few individuals by illegal trading coffee. Legal coffee traders can be motivated.

This study is significant to examine the extent of illegal trade of coffee, to understand the major problems in existing coffee markets that enforce for the increasing of illegal trade of coffee activities as well as the factors that enhances the illegal trade of coffee. The study helps the responsible government bodies related with coffee market and policy makers in order to correct the irregularity of coffee market. In addition, the study helps as a secondary data for other researchers conducted their study related with coffee production and its market.

1.6 Scope of the study

This study was conducted in Gomma Woreda. In the study area, three kebeles (small administrative units) were selected where the sample of coffee producers and coffee collectors were taken. Aggaro Town was also included in the study area because of the coffee processors and coffee suppliers found in the town.

In addition to this, Agricultural and Rural Development Office, Trade Office and Revenue Authority of Gomma Woreda have been incorporated into the study. Also Urban Agricultural office, Trade Office and Revenue Authority of Aggaro Town have been included.

1.7 Organization of the Study

This study consists five chapters. The first chapter includes abstract of the study, background of the study, statement of the problem, , objective of the study, research questions, significant of the study, scope of the study, and organization of the study. The second chapter covers the review of related literatures. The third chapter is all about research design and methodology of the study. The forth chapter consists data presentation, interpretation and analysis. And the fifth chapter contains summary, conclusion and recommendations

Conceptual definitions

Coffee husk	An outer part shell of coffee
Coffee miller	An industry that processes coffee

Coffee collectors	A traders those who buy and collect coffee from producers, then supply to ‘akrabies’
Akrabie	Coffee supplier to central market
Kebele	Small administrative units
Woreda	Small administrative districts
Coffee plumping	industry that processes Red cherry coffee
Coffee hulling	industry that processes Sun dried coffee

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Theoretical review

Since previous research is not conducted on this topic, I utilized CMQCP (2017) for theoretical framework of my study.

2.1.1, The existed regulatory law and the variables

Price difference:

The CMQCP (2017) stated that “coffee by product” means coffee mixed with light, broken, under developed coffee and coffee husk and “domestic consumption coffee” means coffee not exportable, consisting a total of 15% pure coffee and coffee by product (CMQCP 2017).

According to this proclamation exportable and quality coffee should not be utilized for consumption purpose. In the district consuming high quality coffee by producers is observed because of illegal markets doesn't consider quality and they don't get any advantages for their supply of quality product. This shows that poor treatment for producers. Also transacting such quality product in local markets is observed. This is because price in local markets is better than central markets.

Poor legally controlling:

“Coffee supplier” means a person who, is certified and licensed to trade coffee by the appropriate regional states, upon meeting the required criteria, collects prepares and processes coffee with pulp or red cherry coffee from auction centers or producers integrated with legal and developmental auctions or from his own farm or from members of cooperatives for delivery to the Ethiopia Commodity Exchange or directly to exporters with lawful transaction line or export market (CMQCP 2017).

According to this proclamation it is prohibited for coffee collectors to collect coffee separately from suppliers, or they are not licensed. Since they are in current marketing system, it is illegal because of collecting and supplying activity is suppliers' (akrabies') role. This clearly shows poor practice of regulatory law.

Market situation :

“First level coffee transaction center” means a center of transaction for red cherry coffee or coffee with pulp transaction upon being authorized by appropriate government organ of the coffee producing areas (CMQCP 2017)

Even if a pressure or need of woreda’s administrative bodies for every coffee transaction at the 1st level coffee transaction center, it is not succeeded, anyone who own a potential is participating in coffee transaction and transfer to whom make him/her a profit whether licensed or not. This situation shows there is no clear linkage between producers and to whom they sell their product .Additionally it shows there is poor controlling mechanism by concerned body or no proper marketing system in the district.

“coffee transaction centers” include first level coffee transaction centers and the Ethiopian Commodity Exchange(CMQCP 2017)

According to this statements legal framework decides the place where coffee being transacted. But transaction out of coffee transaction center is observable. This is because better price in out of the central markets and problems within central markets (poor treatment for coffee suppliers). Therefore the current market situation facilitates illegal trades of coffee in the Woreda.

Poor treatment of the stockholder:

“Coffee transaction” means the lawful buying and selling of coffee in first level coffee transaction centers, exchange market, foreign market or in other alternative transactions options between producers, suppliers, exporters, value added industries and foreign coffee importer companies as well as wholesaler and retailers (CMQCP 2017). Since less attention and initiation is given to coffee stakeholders, unlawful coffee transaction activity is taken place. Because their feeling of responsibility to stand with regulating bodies is less.

“Coffee transaction centers” include first level coffee transaction centers and the Ethiopian Commodity Exchange (CMQCP 2017). The reason behind transacting out of coffee transaction center is poor control mechanism and it becomes favorable condition for illegal traders. Also price in domestic markets is better than ECX and the absence of other legal alternative markets rather than ECX(market situation).

These problems have not gotten attention by researchers or other concerned bodies even if the voice is loud.

2.1.2, Trade theory and illegal trades of coffee

Porter (1990) tried to explain why a nation achieves international success in a particular industry. He identified four attributes he calls the diamond that promote or impede the creation of competitive advantage. One of this is demand condition and the nature of home demand for an industry's product or service influence the development of capabilities. Porter argues that a nation's firms gain competitive advantage if their domestic consumers are sophisticated and demanding. Such consumers pressure local firms to meet high standards of product quality and to produce innovative products.

According to this theory high domestic consumption is not a threat instead it is an opportunity to promote competitive advantages. That is to meet high standards of product quality and may use innovative ideas or technology to increase productivity. But according to CMQCP 2017 domestic consumption and transacting of high quality coffee is not allowed. What due attention is how competitive advantages of the firm is promoted legally. The gap or the controversy is that conceptually the demand in the local industry product is comparative advantages for producers. On the contrary the legal framework for coffee markets in Ethiopia claims quality coffee production only for export and the substandard coffee and coffee's by product for local consumption however the local consumers demand is quality coffee. As a result quality coffee is traded illegally in domestic markets. According to the proclamation for coffee marketing and quality control (2017) the necessity of the proclamation is to establish a sustainable and traceable coffee marketing and quality control system which enables supply of quality, voluminous and competitive unfrosted and value added coffee to the global market. Secondly to establish modern, legal and fair alternative coffee transaction system, in order to boost the benefits of coffee producers, transaction actors and the country. But supplying to domestic demand is restricted by regulatory law. This opposes the Porter's theory: demand condition (nation's firms gain competitive advantage if their domestic consumers are sophisticated and demanding). But the way followed by regulatory law of coffee is to succeed export demand through restriction on domestic demand. Also the proclamation doesn't work or fail to succeed for the benefits of producers and transaction actors. Because producers are not gaining enough income from coffee

product, transaction actors or legal traders can't survive in the business instead they are leaving out from coffee business or they are running to illegal trades of coffee. Also the need to be a member of coffee transaction actor is decreasing.

2.2 Empirical review

According to Elisabeth (2017) insider traders are who trade most frequently on inside information with positive impact on price, and more specifically takeover bids and illegal gains are higher when realized from large market capitalizations.

This has a message that the presence of illegal traders increases the price of a product and its gain is higher. From this which can be understood is that the gains from illegal trades of coffee is more than the legal one. This attracts legal traders.

Biniam (2011) was conducted on money laundering and countermeasures and found that Ethiopia has made a remarkable progress in fighting money laundering activities and as recommendation: gaps however are still remaining and further efforts should be made to avoid the lacunae in the anti money laundering laws of the country. Also Yared (2010) conducted on legal regime regulating coffee trade and found that the present coffee trade regime is generally good scheme for modernizing the coffee industry and he suggest to overcome shortcomings: the role of the private sector in regulating coffee trade should be increased, the problem created on the collectors by the new law should be appreciated and solved, solutions are needed in respect to the problems of coffee smuggling and amendment of some provisions of the present coffee legislations. Even if Yared (2010) suggested, the role of private sector in regulating coffee trade, it is not improved. Also the problem related with coffee collectors and coffee smuggling problems is not solved yet.

These two researchers found similar result on legal regime of different industries: finance and coffee trade but the former on fighting the illegal activities whereas the later the extent of application/practice of regulating law.

Kefyalew and Addis (2015) conducted a research on Beef Cattle Marketing and Illegal Trading in North Western Amhara and found that beef marketing Constraints in the study area included live animal exporting, taxation in Ethiopia and no taxes in Sudan, Sudan demand deflation and

absence of quarantine. The main actors of beef cattle marketing in the study area include brokers, licensed traders and high percentage of the actors are illegal traders.

According to this research foundation taxation, demand deflation and absence of quarantine are constraints of cross border illegal trades. But practices and challenges of illegal trades of coffee in Gomma Woreda are price difference , markets situation, poor treatment for coffee producers, suppliers and processors and application of the law . And the actors of coffee marketing in the Woreda's are collectors, suppliers, in addition to actors in beef cattle marketing.

Coffee has become an important commodity for southern Sumatra, in particular the area of Lampung Province around Bukit Barisan Selatan National Park. Robusta coffee a plant that's easy to grow in hot climates and often used to make instant coffee and energy drinks has become a common crop planted in the park. But the park is a protected area; therefore, the coffee is illegally planted, grown and sold. The illegal coffee is routinely commingled with legally grown coffee from other parts of Lampung Province, resulting in local, national and international supply chains having become “tainted” with illegal coffee (Nazir Foad 1 January 2007). Conservation group has charged several international companies, including Swiss food giant Nestle', with buying illegally harvested coffee from Indonesia (Thomas Nestle' Jan 17, 2007). According to WWF Indonesian coffee grown in the park is accused as illegal. The gap here is it depends on the place it is grown but not their trading activities. The other is it is coffee Robusta but not Arabica.

Ethiopians, African's top coffee consumers, want to keep beans at home. With urban income rising, Ethiopian drinkers increasingly want better quality. In most cases, the domestic price is higher than international prices and as a result exporters are reluctant to export their product into international markets and prefer to sell at home. In contrast to this, the government want the export in general to be promoted for the fact that harder currency (Assefa, 2018). Therefore in contrary to regulation law or government interest domestic consumption of high quality coffee is preferred in Ethiopia. Also because of price difference traders need to sell at home markets. This price difference is a cause for illegal trades that is the flow of the export standard coffee toward high price with in domestic markets or from central to local markets.

In the early 1990s earnings by coffee producing countries were some US\$10-12 billion and the value of retail sales of coffee, largely in industrialized countries, about US\$30 billion. Now the value of retail sales exceeds US\$70 billion but coffee producing countries only receive US\$5.5 billion. Prices on world market, the lowest in real terms for 100 years (*Néstor*, 2002). Since international market pays the lowest price for producers and Ethiopia is the one among them . This smallest payment must be divided among exporter, suppliers, government revenue, broker, collector, producer and illegal traders. Also labor cost & transportation cost decreases producers price ... Therefore producers income is minimized. This demoralize coffee farmers that lead to low productivity and low feeling of responsibility for legalization of coffee markets.

Girma (2017) conducted on practices and challenges of coffee value chain performance in Ethiopia and identifies five practices and challenges of coffee value chain among them are Marketing institution (ECX) and Government policy and regulation. This shows if consideration is not given to them and not continually assessed the value chain might be broken which leads to fail of all coffee value chains. Continually assessing the existing marketing system and identified problems has to be solved. Also Yared (2010) recommended that amendment of some provisions of the present coffee legislations is needed. Depending on Yared's recommendation when I asses the current coffee marketing system & proclamation on coffee regulatory : coffee collectors are not avoided from the current market but they are erased from the existing coffee marketing & quality control(2017). Secondly consuming & transacting quality coffee by local consumer & in the local markets respectively is disobedient by the current regulatory law but the assessment shows the opposite of the regulatory law. This shows the existing of local demand for quality coffee. Therefore assessment & amendment of the coffee regulatory law is needed. And government interest for export can be compensated by increasing coffee's productivity.

The policy implication is that improvement in the quality of coffee export, expansion in domestic production of coffee and road sector are believed to provide significant effect on export supply of coffee (Tadese 2015). Stakeholders are responsible for quality of the coffee product. But poor treatment for stockholders leads to less responsibility that causes negative impact on the quality of the product. This consequence may cause negative impact on export supply of coffee. There is poor motivation for producers: no price difference for quality coffee supplied by producers to

suppliers (akrabies) but for suppliers(akrabies) in central markets. Also producers are not motivated for production per hek(kun/hek) either it increases or decreases. And collectors, suppliers and producers are carelessly treated. Finally illegal trading has positive relation with poor quality (substandard) coffee since illegal traders has no care for quality.

Price of coffee in the local market is usually higher than export prices. Its supply chain is complex and small farmer's sale to local traders, local trader's sale to big coffee milers and exporters, after processing local trader sale to international exporters and primary cooperatives purchase a number of coffees and sale to cooperative union the union process it and sale to exporters on behalf of cooperatives (Alemayehu, 2014) . The researcher didn't identify the impact of price difference between local and export markets. Also he didn't clarify legal and illegal supply chains. Because price difference between local and central markets changes the flow of the product to illegal tube and illegal supply chain is vary: it can be between producers and the contrabandist or producers sell to collectors and collectors sell to contrabandist. Also this trading activity is between legal and illegal traders or between illegal traders etc.

CONCEPTUAL FRAMEWORK

To identify the conceptual framework, first the problems has been identified and narrated. Then plot test has been done on selective coffee stockholders. Then it is modified ,categorized as dependent and independent. Also the independent part categorized into four independent variables.

2.3 The Conceptual Framework

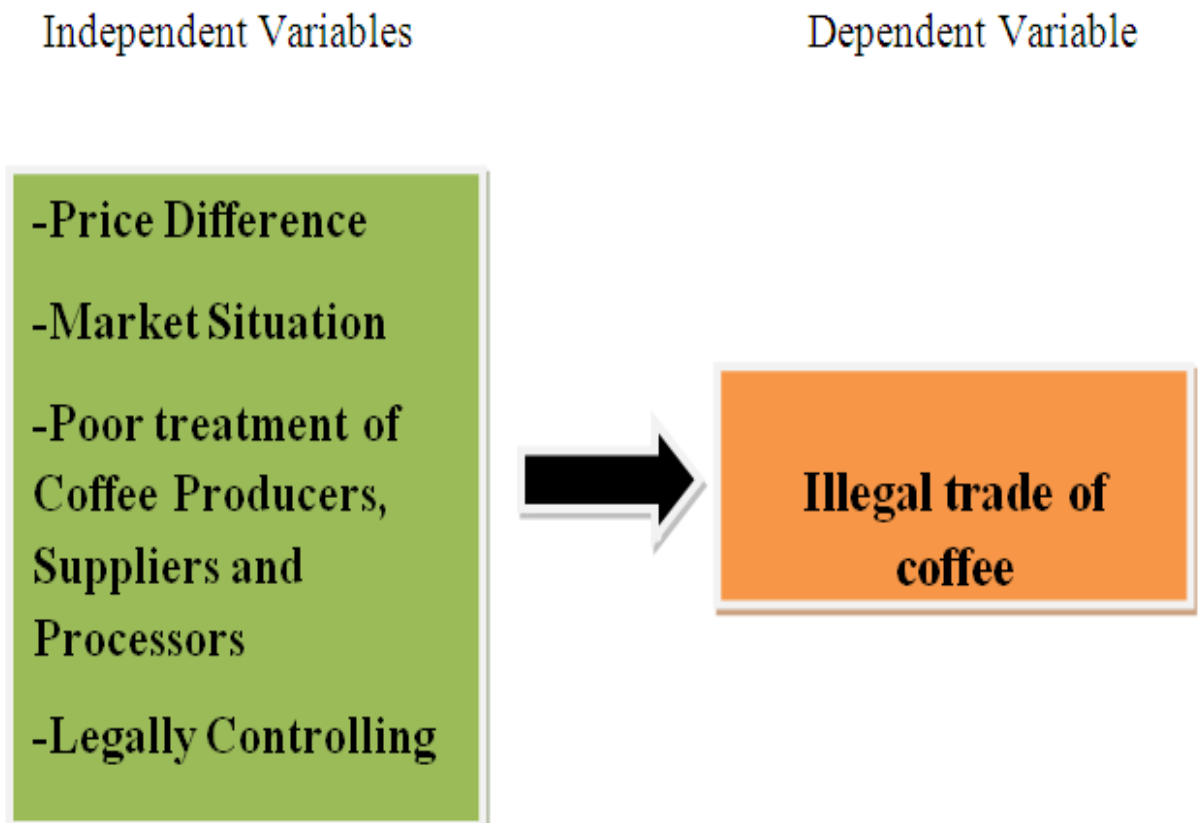


Fig.1 Diagram of conceptual framework

CHAPTER THREE

RESEARCH METHODOLOGY

Research methodology being used in the study discusses research design, population and data type, and data collection method, data collection instruments, data analysis and presentation method, finally validity and reliability and ethical consideration are included.

3.1 Research Design

The research design preferred for this study is descriptive and explanatory. It is explanatory because the research finds whether the problems are existing or not. It is descriptive because it tries to describe practices and challenges of the illegal trade of coffee and to distinguish the major problems related with the increment of illegal trade of coffee in the study area.

3.2 Research approach

Concerning the research strategy, two types of strategies are adopted: quantitative and qualitative research approaches. The study used quantitative approach to gather the employers of coffee stockholders' opinions. These are factual data and to study relationships between facts and how such facts and relationships accord with theories (the current coffee regulatory law, trade theory...) and the findings (the existed reality). In addition, it helps to know the stakeholder's opinion and to rank the opinions towards the practices and challenges of illegal trade of coffee in the study area.

3.3 Sources of Data and Data Collection Techniques

The data obtained from the primary and secondary sources and both qualitative and quantitative data was utilized during the study.

3.3.1 Primary Data Sources and Data Collection Techniques

In order to get fresh and new information primary data have been collected to achieve the objective of the research. The primary data have been obtained through disseminating questionnaires for 249 sample experts from Gomma Woreda and Aggaro town's revenue authority, and trade offices also from selected experts of GWARDO and Aggaro Town's urban

agricultural offices, producers, suppliers and processors. But 210 of them filled and returned through data gatherers of the high school graduates within the district units (kebele).

Structured interview was utilized for two experienced experts, two department head, three head offices and five stockholders with dual activities (processors and suppliers). Also thirty one coffee producers are participated in focal group discussion. Informal discussion was carried out with different coffee stockholders those included in the main sample and also with some of out of the sample.

3.3.2 Secondary data sources

For the study, relevant books, magazines, newspapers, proclamation, directives, working papers, previous researches, reports, websites, unpublished materials, government policy documents, archival documents mostly from annual reports have been reviewed. And Gomma Woreda's Agricultural Office, Administration Office, Health Office, Cultural and Tourism Office, Land and Environmental Office and Trade Office have been used as a source of secondary datas.

3.4. Methods of data collections (Research techniques)

In order to collect the datas, four research techniques have been employed. These include questionnaire, interview, focal group discussion and observation.

3.4.1 Questionnaire

Questionnaire was prepared in the form of close-ended. The prepared questionnaires have been disseminated to 249 respondents taken as samples from three offices (Trade Office, Revenue Authority and Agricultural and Rural Development of Gomma Woreda and Agaro Town),collectors, suppliers, processors and producers. And 210 respondents have filled and returned the questionnaire.

3.4.2 Interview

Structured interview was used due to it uses predetermined and series of structured questions to obtain accurate information, clarify the questions and face to face talking information and data from the respondent. Hence, the researcher prepared structured interviews and interviewed

Heads of Trade Office, Revenue Authority of Gomma Woreda. From Agricultural and Rural Development of Gomma Woreda: two department head and two experienced experts from coffee and tea department have been interviewed also Agricultural Office head interviewed. Five stockholders with dual activity(processer and supplier) have been interviewed.

3.4.3 Focal group discussion

Since the coffee producers are almost homogeneous that is most of them are small scale farmers similar life standard and it is suit to group them for discussion. So, thirty one 31 coffee producers were participated in the discussion. So, the researcher makes formal discussion with them. Also informal discussion was employed with Agricultural Office and field experts as well as with office and department heads.

3.4.4 Observation

Observation method was employed to understand the market system of coffee in the area of coffee buying and selling took place. According to Kothari (2005), “The main advantage of this method is that subjective bias is eliminated, if observation is done accurately. Secondly, the information obtained under this method relates to what is currently happening; it is not complicated by either the past behavior or future intentions or attitudes”. Therefore coffee marketing places were observed by data gatherers and the researcher.

3.5 Target population and Sampling techniques

3.5.1 Target population

For this study the target populations are coffee producers, coffee processors and coffee suppliers in Gomma Woreda. In addition, Agricultural and Rural Development Office of Gomma Woreda(GWARDO) who has legal responsibility in the coffee production and coffee market value chain also included in the study. Coffee processors and suppliers and Urban Agriculture of the Agaro Town, Trade Offices and Revenue Authorities of both Agaro and Gomma are also included.

3.5.2 Sampling techniques

For the study the samples from Coffee producers, suppliers, collectors and processors were selected by stratified sampling method. According to Kothari (2005), “If the population from which a sample is to be drawn does not constitute a homogeneous group, then stratified sampling technique is applied so as to obtain a representative sample. If the items selected from each stratum is based on simple random sampling the entire procedure, first stratification and then simple random sampling, is known as *stratified random sampling*”. And the offices and its experts are selected by non probability purposive sampling method. Or from those offices and experts have a relation with coffee marketing and coffee traders.

3.5.3 Sampling units and sizes

Table 2.1: Sampling units and sizes of the study

S. No	Name of target population	Total amount	Sample taken	Remark
1	Coffee producers	28000	161	Sample calculated by the formula: $n=N/1+N(e^2)$ $e=0.06$
2	Coffee collectors	870	75	
3	Coffee suppliers	83	24	
4	Coffee processors	54	15	
5	Experts from GWARDO & Urban Agricultural Office	25	25	Totally taken
6	Experts from Trade Office	10	10	“
7	Experts from Revenue Authority	10	10	“
8	Head of ARDO	1	1	“
9	Head of Trade Office	1	1	“
10	Head of Revenue Authority	1	1	“
	Total	29055	323	

Source: ARDO (2018) and constructed by author

Reliability and Validity of the Instrument:

- To confirm validity of the instruments (similar questionnaires and discussion) were developed and pilot study was carried out on two coffee suppliers, one coffee exporters' & three coffee collectors of Gomma Woreda and Agaro town and five coffee producers of Gomma Woreda those were not included in the sample of the main study. Group discussion on Practices and challenges of illegal trade of coffee was held with Gomma Woreda's Agricultural Office of Coffee Marketing Department Staff.

- The pilot test has provided an opportunity to check the questionnaires and minimize errors due to improper design of instruments, such as problems of wording or sequence, (Adams et al. 2007).

Reliability analysis

Table. 2.2

	item	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Price Difference	5	.777	.931
Market Situation	6	.688	.943
Poor Legal Controlling	6	.932	.897
Poor Treatment of coffee producers, suppliers and processors	5	.843	.915
Illegal Coffee Trade	8	.921	.904

- To check the reliability of the instrument the survey variables were initially tested before the hypothesis theory mentioned was verified. Firstly, in accordance with the work of (Thompson et al, 2017), the Cronbach's used in this study for the dimensions of each construct is higher than the critical value of 0.7, as proposed by (Nunnally, 1978), indicating that the internal consistency of the scale used in this research is excellent.

3.6 Data Analysis and Interpretation techniques

After the data are collected from the required respondents and interviewees, the collected data is compiled, edited and coded into categories using numeric values after assessing its consistency and relevance to the study. Then, the data has been analyzed quantitatively with appropriate tools of data analysis. Analysis of quantitative data has been achieved using Statistical Package for Social Sciences, SPSS. Presentation of analyzed data is done using percentages, mean and standard deviation by the use of descriptive statistics tables.

In addition, Likert scale is used to rank the major problems and practices and challenges of illegal trade of coffee. So, it was employed to rank the different practices and challenges of illegal trade of coffee from the perspective of coffee producers, coffee collectors, coffee suppliers, coffee processor and other stakeholders.

Interpretations from analyzed data have been made and this assists the study to answer the research questions. These results have been compared to previous research findings from various scholars to establish the degree of relationship or accuracy of the research.

3.7 Data Presentation

After the research data analyzed and interpreted, it is presented using various data presentation tools. The quantitative data is presented using tables, figures, graphs and percentages. The qualitative data is presented using verbatim, quotation and narration form.

3.8 Ethical Considerations

Ethical consideration of confidentiality and privacy is addressed. A concerted and conscious effort is made at all times to uphold the promise. Respondents have been guaranteed that their names must not be exposed in the research report. The study clearly informs to the respondents the purpose of the study is for academic purpose only. In addition to this, they have been informed that their participation in the study based on their consents. The study also not personalizes any of the response of the respondents during data presentations, analysis, and interpretation.

Chapter Four

4. Data Presentation, Interpretation and Analysis

This chapter deals with data presentation, interpretation and analysis of the study. It has three parts. The first part tells about the background of the respondents, the second part is about factors that affect illegal coffee trading in Gomma Woreda, and the third part is the interpretation of correlation, and regression results.

4.1. Findings of Demographic Analysis

The study sought to collect data from 323 respondents from different category in Gomma woreda but the researcher managed to collect 253 respondents. This represents a response rate of 78.3 percent which is very good for analysis. According to Babbie (2004) a response rate of 60 percent is good and that of 78.3 percent is feasible and logical

Description of the characteristics of the respondents for questionnaires (210 respondents) gives some basic information about the sample population involved in the study. From the data collected and tabulation, the following significant characteristics of the respondents have been obtained.

Table 4.1; Demographic profile of the respondents

Variable	Variable categories	Frequency	Percentage (%)
Gender/sex	Male	159	75.7
	Female	51	24.3
	Total	210	100
Age	25-35 yrs	33	15.7
	35 – 45yrs	95	45.2
	45—55yrs	56	26.7
	55 – 65yrs	26	12.4
	Total	210	100
Education level	Certificate	39	18.6
	Diploma	15	7.1
	Degree	26	12.4
	Master's degree	4	1.9
	Grade 9-10+	54	25.7
	Grade 1-8	32	15.2
	Others	40	19
	Total	90	100

Service year in the Task.	< 5yrs	21	10
	5- 10yrs	69	32.9
	11-15yrs	78	37.1
	16-20yrs	26	12.4
	> 20 years	16	7.6
	Total	210	100
Position/Occupational status	Coffee producers	112	53.3
	Coffee collectors	32	15.2
	Coffee suppliers	9	4.3
	Coffee processors	9	4.3
	Experts	45	21.1
	Heads	3	1.4
	Total	210	100

Source, Survey data, 2020

As it is understandable from the above table 4-1, of the respondents, 159 (75.7%) were male which indicates that the proportion of male respondents were high on this study. This implies that male were involved on coffee industry than female in the study area. 151 (71.9%) were found between 35 and 55 years old which is active working age and mature enough to mitigate performance errors and also consider the subject matter carefully . And 54 (25.7%) have attained from grade 9-10+, followed by 40 (19%) and 32 (15.2%) were found in others educational level and attained grade 1-8 level respectively. This indicates that larger group of the study group found at the lower education level. The reason for this might be the coffee producers and coffee collectors education levels found at the lower class. Besides, 147 (70%) respondents have 5-15 years experience on the work. This means the majorities knew and consider the factors which enhance the illegal coffee trade in the study area. Further, among the respondents 112 (53.3%) were coffee producers, and 45 (21.4%)experts. This indicates that most of the study participants were coffee producers and experts. Thus, their occupation interlinked with the coffee trade and they were potential enough to identify the interferences of illegal coffee trade in the study area.

4.2. Practices and challenges for Illegal Trade of Coffee in the Study Area

The descriptive statistics utilized are based on frequency tables to provide information on the demographic variables. Through tables, summary statistics such as means, standard deviations, minimum and maximum are computed for each practices and challenges and illegal coffee trade in this study. The findings which identified on this study presented as follows;

Misfit (2016) used a kind of rule of thumb to create equal intervals for a range of five points Likert scale (that ranges from strongly disagree to strongly agree in the survey questionnaire). A calculated mean value that ranges from 1 to 1.8 implies strong disagreement, a mean range from 1.81 to 2.61, from 2.62 to 3.41, from 3.42 to 4.2 and from 4.21 to 5.00 represented respondents' perceptions of somewhat disagree, neutral, somewhat agree and strongly agree respectively. The 0.8 served as a boundary for each elements of the measurement in the questionnaire. According to this study the average variability of the mean within the scale was 0.79, which is almost 0.8.

Table 4.2; Descriptive Statistics of Practices and challenges of Illegal trade of Coffee

	Mean	Std. Deviation	N
Illegal Coffee Trade	4.08	1.020	210
Price Difference	3.71	1.358	210
Market Situation	4.15	1.183	210
Poor Treatment of coffee producers, suppliers and processors	4.10	1.137	210
Poor Legal Controlling	3.96	1.171	210

Source, Survey data, 2020

Table 4.2 ; represents the calculated means and standard deviations for the dependent variable (Illegal coffee trade) and independent variables (price difference, market situation, poor treatment of coffee producers , suppliers & processors and poor legal controlling). According the information observed above on table 4.2, the mean value for illegal coffee trade was (m=4.08) which were found in between 3.42-4.2 which mean average number of respondents were agreed the practicing of illegal trade of coffee in the study area. This implies that there was an illegal coffee trade which was practicing with illegal coffee traders on the study area. Whereas the mean value for price difference, market situation, Poor Treatment of coffee producers, suppliers and processors and legal controlling were (m=3.71), (m=4.15), (m=4.10) and (m=3.96) respectively.

For the above indicated factors most of the respondents were agreed on their effect on the illegal coffee trade. This indicates that price difference in the market, the existing market situation, poor treatment status for coffee producers, suppliers & processors and the implemented legal controlling mechanisms could be acceptable by the respondents as the practices and challenges of illegal trade of coffee on the study area.

4.2.1 Price difference

Table 3; Descriptive statistics of price difference

Table 4.3: Descriptive Statistics of Price Difference

	N	Mean	Std. Deviation
Price difference in existing coffee markets make sellers to sell their coffee with better price	210	3.62	1.222
Better coffee price are found in a local market	210	3.70	1.260
In the illegal market product price determined without concerning product quality	210	3.65	1.338
Locally availed illegal market set better price for the coffee product	210	3.78	1.217
In natural or sun dried coffee type illegal trading activity is observed with better price	210	3.64	1.124

Source, Survey data, 2020

In relation to price difference as determining factor for illegal trade of coffee, according to the information observed above on table 4.3, the mean value for Price difference in existing coffee markets make sellers to sell their coffee with better price, Better coffee price are found in a local market, and In the illegal market product price determined without concerning product quality were 3.62, 3.70 and 3.65 respectively, the values which were found in between 3.42-4.2 which mean average number of respondents were agreed on the above indicated statements. This implies that price difference, better coffee price in a local market and product price determined without concerning product quality could able to favor illegal market for coffee trade in the study area.

Similarly the mean values for Locally available illegal market set better price for the coffee product and In natural or sun dried coffee type illegal trading activity is observed with better price were 3.78 and 3.64 respectively, the values which were found in between 3.42-4.2 which mean average number of respondents were agreed on the above indicated statements. The above findings indicate that set better price on illegal market and having better price for natural or sun dried coffee at the local market make the coffee producers to join the illegal market.

4.2.2. Market Situation

Table 4 Descriptive Statistics of Market Situation

Table 4.4: Descriptive Statistics of Market Situation

	N	Mean	Std. Deviation
Loss of alternative markets rather than ECX highly forced legal traders to be attracted toward illegal trading activities	210	3.79	1.312
There was open market of coffee in mini market for daily cost coverage of producers	210	4.23	1.111
There is transaction of quality coffee in local markets	210	3.97	1.219
In red cherry coffee type illegal trading activity is observed	210	3.89	1.203
In traditionally processed coffee type illegal trading activity is observed	210	4.27	1.136
In natural or sun dried coffee type illegal trading activity is observed	210	3.89	1.296

Source, Survey data, 2020

Regarding the market situation, according to the information observed above on table 4.4, the result showed that the mean value for ‘Loss of alternative markets rather than ECX highly forced legal traders to be attracted toward illegal trading activities’ (m= 3.79, SD=1.312), there was open market of coffee in mini market for daily cost coverage of producers (m=4.23, SD=1.111), There is transaction of quality coffee in local markets (m=3.97, SD=1.219), In red cherry coffee type illegal trading activity is observed (m=3.89, SD=1.203), In coffee with

traditionally processed coffee type illegal trading activity is observed ($m=4.27$, $SD=1.136$) and In natural or sun dried coffee type illegal trading activity is observed ($m=3.89$, $SD=1.296$) the mean for all statements were found in between 3.42-4.2 which mean average number of respondents were agreed on the above indicated statements. This implies that loss of alternative market except ECX, existing open market of coffee, transactions of quality coffee in the local market, existence of red cherry coffee, traditional processed, natural or sun dried coffee in the local market aggravated the illegal market situations as promoting the illegal trade of coffee in the study area.

Table 4.5: Descriptive Statistics of Poor Treatment of coffee producers, suppliers and processors

Table 4.5: Descriptive Statistics of Poor Treatment of coffee producers, suppliers and processors

	N	Mean	Std. Deviation
The producers had a belief the market price of coffee has been better at the illegal market	210	4.19	1.175
Emergency financial need by producers forced them to join the illegal market	210	4.02	1.218
Low awareness creation on producers by regulatory law of coffee make producers to incline on illegal market	210	4.09	1.232
Poor treatment for coffee producers, suppliers and processors tend them to involve on illegal market	210	4.00	1.235
Poor feeling of responsibility by stockholders have for coffee marketing and quality problems has positive contribution for illegal trades of coffee	210	4.13	1.162

Source, Survey data, 2020

Concerning the poor treatment of coffee producers, suppliers and processors, according to the information observed above on table 4.5, the mean values for The producers had a belief the market price of coffee has been better at the illegal market ($m=4.19$, $SD=1.175$), Emergency financial need by producers forced them to join the illegal market ($m=4.02$, $SD=1.218$), Low awareness creation on producers by regulatory law of coffee make producers to incline on illegal market ($m=4.09$, $SD=1.232$), Poor treatment for coffee producers, suppliers and processors tend them to involve on illegal market ($m=4.00$, $SD=1.235$) and Poor feeling of

responsibility by stockholders for coffee marketing and quality problems has positive contribution for illegal trades of coffee ($m=4.13$, $SD=1.162$), the mean for all statements were found in between 3.42-4.2 which mean average number of respondents were agreed on the above indicated statements. The above findings indicate that good belief of coffee producers on the illegal market, emergency financial need, low awareness creation on producers by regulatory law, poor treatment on the coffee producers, suppliers and processors, poor feeling of responsibility has positive contribution for illegal market were tends coffee producers, suppliers and processors to join in illegal coffee trade.

4.2.4. Poor Legal Controlling System

Table 5 Table 4.6: Descriptive Statistics of Poor Legal Controlling system

Table 4.6: Descriptive Statistics of Poor Legal Controlling system

	N	Mean	Std. Deviation
Poor controlling and directing mechanism of coffee markets enhance illegal coffee market	210	3.92	1.229
Low awareness creation on regulatory law of coffee	210	4.14	1.301
In traditionally processed coffee type illegal sold in local market	210	4.04	1.273
Regulatory law of coffee gives more attention to hard currency but ignoring coffee stockholders (producers, suppliers & processors)	210	3.86	1.258
There is more illegal traders of coffee in the woreda due to poor controlling system	210	3.87	1.302
Lack of strong legal controlling system increase the illegal traders involvement on the coffee market	210	3.91	1.282

Source, Survey data, 2020

In relation to the legal controlling mechanism for illegal coffee trade, according the information observed above on table 4.6, the mean values for Poor controlling and directing mechanism of coffee markets enhance illegal coffee market ($m=3.92$, $SD=1.229$), Low awareness creation on regulatory law of coffee ($m=4.14$, $SD=1.301$), In traditionally processed coffee type illegal sold in local market ($m=4.04$, $SD=1.273$), Regulatory law of coffee gives more attention to hard

currency but ignoring coffee stockholders (producers, suppliers & processors) (m=3.86, SD=1.258), There is more illegal traders of coffee in the woreda due to poor controlling system (m=3.87, SD=1.302) and Lack of strong legal controlling system increase the illegal traders involvement on the coffee market (m=3.91, SD=1.282), the mean for all statements were found in between 3.42-4.2 which mean average number of respondents were agreed on the above indicated statements. This implies that poor controlling directing legal system, low awareness creation on the regulatory system, availability of traditionally processed on the market, poor attention given through regulatory law of coffee to coffee stakeholders', existence of more illegal coffee trader in the market and lack of strong legal controlling systems were the possible driven factors of illegal coffee trade occurrence.

4.2.5 Illegal Trading of Coffee

Table 6 Table 4.7: Descriptive Statistics of Illegal Coffee Trading

Table 4.7: Descriptive Statistics of Illegal Trading of Coffee

	N	Mean	Std. Deviation
There is no specified linkage to whom coffee producers sell their product to licensed traders	210	4.16	1.124
Primary coffee transaction center is not utilized as coffee transaction center	210	4.09	1.101
Consumption of quality coffee by coffee producers is high	210	4.02	1.126
It is observed that the expansion of non licensed trading activities of coffee in the Woreda	210	3.98	1.172
Observable change of capital growth on illegal trades with in short period attracts legal traders.	210	4.16	1.062
There is a problem within central markets (ECX) that favors illegal trading.	210	4.08	1.044
All processed coffee in the coffee processing industries are not supplied to central markets(ECX)	210	4.08	1.020

. *Source, Survey data, 2020*

In relation to illegal coffee trading practices, according to the information observed above on table 4.7, the result showed that, the mean of all the statements that measure illegal coffee trade

practices were found (m= 3.42-4.2), which most of the respondents were agreed for the respective indicated statements. These indicate that; no specific linkage between coffee producers and licensed traders, primary coffee transaction center is not utilized as coffee transaction center, the high consumption of quality coffee by coffee producers, expansion of non licensed trading activities of coffee in the Woreda, change of capital growth for illegal traders with in short period attracts legal traders, and existing problem within central markets (ECX) that favors illegal trading and all processed coffee in the coffee processing industries are not supplied to ECX were the practices that could characterize or enhance the illegal coffee trading on the study area.

The Relation between Independent and Dependent Variable

According to Daniel Arkkalin (2014) the *Pearson correlation coefficient* is a statistic used to determine the *degree* and *direction* of relatedness between two continuous variables. The Possible values of the correlation coefficient range from -1.00 to +1.00, and the closer the number is to an absolute value of 1.00, the greater the degree of relatedness. The *Pearson correlation coefficient* can be tested for statistical significance (using the conventional probability criterion of **.05**).

While there are no hard-fast rules, here is a general rule of thumb:

- r* values greater than **.50** indicate a **strong** correlation
- r* values around **.30** indicates **moderate** correlation
- r* values less than **.20** indicate a **weak** correlation

Table 4.8: Table of Correlations

Table 4.8: Table of Correlations						
		Price Difference	Market Situation	Poor Treatment of coffee producers, suppliers and processors	Legal Controlling	Illegal Coffee Trade
Price Difference	Pearson Correlation	1	.599**	.737**	.763*	.742**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	210	210	210	210	210
Market Situation	Pearson Correlation	.599**	1	.566**	.716*	.688**

	Sig. (2-tailed)	.000		.000	.000	.000
	N	210	210	210	210	210
Poor Treatment of coffee producers, suppliers and processors	Pearson Correlation	.737**	.566**	1	.866*	.876**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	210	210	210	210	210
Poor Legal Controlling	Pearson Correlation	.763**	.716**	.866**	1	.964**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	210	210	210	210	210
Illegal Coffee Trade	Pearson Correlation	.742**	.688**	.876**	.964*	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	210	210	210	210	210
**. Correlation is significant at the 0.01 level (2-tailed).						

As observed from the above table, the correlations between independent and dependent variables are strong and positive. This implies that the change(increase or decrease) in independent variables brings the change(increase or decrease) in dependent variables respectively.

4.4.1. The Relation of Price Difference with Illegal Trade of Coffee

According to the correlation output which indicated above on table 4.12, price difference ($r=0.742$, $P=0.000$ ($P<0.01$, $N=210$) which implies that price difference has a positive significant relation with illegal trade of coffee. As supported by the literature, According to Elisabeth (2017) insider traders are who trade most frequently on inside information with positive impact on price, and more specifically takeover bids and illegal gains are higher when realized from large market capitalizations. This has a message that the presence of illegal traders increases the price of a product and its gain is higher. From this which can be understood is that the gains from illegal trades of coffee is more than the legal one. This attracts legal traders. Therefore in contrary to regulation law or government interest domestic consumption of high quality coffee is preferred in Ethiopia. Also because of price difference traders need to sell at home markets. This price difference is a cause for illegal trades that is the flow of the export standard coffee toward high price with in domestic markets or from international to domestic.

4.4.2. The Relation of Market Situation with Illegal Trade of Coffee

According to the correlation output which indicated above on table 4.12, market situation ($r=0.688$, $P=0.000(P<0.01)$, $N=210$) which implies that market situation has a positive significant relation with illegal trade of coffee. The market situation which dominated by a high number of illegal traders which favors for the illegal trade of coffee. According to Girma (2017) conducted on practices and challenges of coffee value chain performance in Ethiopia and identifies five practices and challenges of coffee value chain among them are Marketing institution (ECX) and Government policy and regulation. This shows if consideration is not given to them and not continually assessed the value chain might be broken which leads to fail of all coffee value chains. Continually assessing the existing marketing system and identified problems has to be solved.

4.4.3. The Relation of Poor Treatment of Coffee Producers, Suppliers & Processors with Illegal Trade of Coffee

According to the correlation output which indicated above on table 4.12, poor treatment for coffee trade stakeholders ($r=0.876$, $P=0.000(P<0.01)$, $N=210$) which implies that poor treatment for coffee trade stakeholders has a positive significant effect on illegal trade of coffee. This implies that the regulation and marketing system which poorly treated the coffee trade stakeholders enhance the illegal trade of coffee. Continually assessing the existing marketing system and identified problems has to be solved. Also Yared (2010) recommended that amendment of some provisions of the present coffee legislations is needed. Depending on Yared's recommendation when I asses the current coffee marketing system & proclamation on coffee regulatory: coffee collectors are not avoided from the current market but they are erased from the existing coffee marketing & quality control(2017). This shows the mistreatment of the coffee collectors on the market.

Stakeholders are responsible for quality of the coffee product. But poor treatment for stockholders leads to less responsibility that causes negative impact on the quality of the product. This consequence may cause negative impact on export supply of coffee. There is poor motivation for producers: no price difference for quality coffee supplied by producers to suppliers (akrabies) but for suppliers(akrabies) in central markets. Also producers are not motivated for production per hek(kun/hek) either it increases or decreases. And collectors,

suppliers and producers are carelessly treated. Finally illegal trading has positive relation with poor quality (substandard) coffee since illegal traders has no care for quality.

Table 4.9 Coffee traders those renewed their license for consecutive budget years in E.C

	E.C	Amount in number
1	2007	73
2	2008	69
3	2009	65
4	2011	63
5	2012	61

Source :Gomma Woreda Trade office (2012 E.C)

Table 4.10 New comers to coffee trade for consecutive budget years in E.C

	E.C	Amount in number
1	2007	3
2	2008	2
3	2009	2
4	2011	1
5	2012	0

Source :Gomma Woreda Trade office (2012 E.C)

Poor treatment to producers, specially low income from coffee product, demoralize them and resulted in low productivity of coffee. And problems within central markets and unfair taxation push the legal traders toward the illegal one.

Therefore, legal traders become leaving out from the coffee business. Also the need for new comers(beginners) to this business is decreasing and totally stopped in 2012 E.

4.4.4. The Relation of Poor Legal Controlling with Illegal Trade of Coffee

According to the correlation output which indicated above on table 4.12, poor legal controlling ($r=0.964$, $P=0.000(P<0.01)$, $N=210$) which implies that poor legal controlling system has a positive significant relation with illegal trade of coffee. This implies that failing legally to control the coffee trades enhance the illegal trade of coffee. Also Yared (2010) conducted on legal regime regulating coffee trade and found that the present coffee trade regime is generally good scheme for modernizing the coffee industry and he suggest to overcome shortcomings: the role of the private sector in regulating coffee trade should be increased, the problem created on the

collectors by the new law should be appreciated and solved, solutions are needed in respect to the problems of coffee smuggling and amendment of some provisions of the present coffee legislations. Even if Yared (2010) suggested, the role of private sector in regulating coffee trade is not improved, also the problem related with coffee collectors and coffee smuggling problems is not solved yet.

4.5, Qualitative Data Analysis

4.5.1, Interview Data Analysis

According to information from interview data the main problem in coffee marketing is the present regulatory law of coffee because it avoids coffee collectors and adds their role to coffee suppliers but they are still in the marketing system or can't be avoided. Secondly making their coffee to hull is allowed only for suppliers but now a day producers and other illegal collectors are practicing. This is a big problem for quality because if the coffee is not supplied to the central markets as soon as hulled, its quality become decreasing and as the time increases the quality become endanger. Even it can be out of the market. If the price is lowered, the owners make their grinded coffee staying at home to expect high price in future but they don't concern the quality. Problems in coffee processing industries are through competing with illegal traders, substandard quality coffee is collected and processed.

This has high impact on coffee price in central markets. And it open the door to illegal traders because legal traders have lack of interest for poor quality coffee considering central markets need and price. But now a days, the observed contraband coffees which was seized, is very quality and exportable coffee. This is in case of high domestic price than international. Because of this legal traders are involving in contraband activities or black markets. As a general, most of our traders are exercising mixed activities (trading in both legal and illegal way). Those trying to trade only in legal way are becoming out of the coffee business game. But others own a resistance with mixed trading.

Problems in ECX also demoralize legal trades, specially pricing problems. What makes shops in the town transacting very quality coffee is its better price in local markets. Coffee transaction center is not utilized as coffee transaction center because of avoidance of the coffee collectors. This makes the coffee tubeless water which flows to the direction it can flow.

Poor application of the regulatory law is the current problem even if the skeleton of the law is good its application is very poor and power is not delegated to the coffee experts to apply.

Price difference within local markets appreciates illegal activity by more. In central markets suppliers have no guarantee, because no range in pricing. And pricing power is occupied by exporters only.

The drawbacks within regulatory law of coffee is avoiding coffee collectors and giving attention only for hard currency and makes them illegal. Also consuming quality coffee by domestic consumer is illegal. These open the door to illegal traders.

The way of controlling and directing mechanism by now is very poor. All processed coffee are not supplied to ECX especially sun dried coffee because of illegal activities.

Most of Ethiopia's export and source of foreign currency is coffee and from the total amount majority coffee is found and sourced from Oromia. But now a days the size of coffee supplied to central markets is highly minimizing and more size is shifted to contraband activities. As the information from participants of interview and discussion, governmental concerned bodies are careless of illegal trades on coffee. Not get concern by most of an individual responsible to it. So, the country is in danger in this aspect if not serious attention is given. If we can't supply enough size or very small size of the agreement, our agreement with international markets might be broken. If this is occur, we might be lead to supply total amount of the product to domestic consumer. Finally, more supply than demand in domestic markets and fail in price than present will occur on the product. Also the country will loss hard currency it gets from this industry.”

The problems in ECX especially in ranking and pricing strategies paralyze legal trading and energize contraband or black markets. Export price is less than local price and the price of substandard coffee in local markets is more than quality coffee in central markets. So, traders prefer better income and that leads them to illegal trade. Coffee is considered as spinal cord of the country but directing, controlling and treating stockholders is ignored. The power of the contrabandist reached at the pick and no one can stop them. It shifts the flow of the product from ECX to black markets or from international to domestic markets. But it doesn't get government attention even if exportable coffee is shifted to black markets. Corruption and fraudulent is willing the industry to fail because the leaders feel no thing even if they are informed repeatedly. But black markets hurt governmental revenue, unbalance (unexpected) capital accumulation to few individuals and it will destroy legal traders. Illegal traders gain high profit with less

investment but legal traders' gain is less with high investment. By know the size of export coffee is highly minimizing but the within a night about six lorries of contraband coffee is exported only from Aggaro Town. At the moment the price of high quality coffee in ECX is birr1200 but the price of sun dried coffee in domestic markets is birr 2200.

Legal traders can't survive unless participating in contraband because taxation made most of them out of the business game. Illegal traders don't care about the quality that makes collectors and producers careless of the coffee quality.

Lack of awareness on regulation law and the carelessness of the concerned bodies makes the problem severe. Additionally, problems within regulatory law of coffee favor expansion of non licensed traders. These are avoiding coffee collectors from coffee transaction system and prohibiting consumption of quality coffee domestically. This makes great challenge to defend illegality on coffee

5.4.1,Discussion Data Analysis

By doing discussion with coffee producers, the researcher informed that coffee producers have no guarantee for their product because coffee transaction center is everywhere by any one. They are not gaining enough price for their product and not treated well and they assume as they become the guard for coffee plantation. By now if he/she is one of the coffee producers the life is hard to survive. Coffee regulatory law also doesn't give attention how the producers to be treated. Producing quality coffee has no any advantages to them but for suppliers. No price difference for quality when buying from producers but for suppliers in ECX. This made most of the farmers to be careless of the quality. Since no price difference for quality producers consume quality coffee at home. But it contradicts regulatory law of coffee. The other is if the coffee is not quarantined, producers may get the advantages of price difference in local markets. Since the coffee is needed only for the purpose of hard currency, the life of producers is not considered. Poor treatment to producers, specially low income from coffee product, demoralize them and resulted in low productivity of coffee. The marketing situation pushes producers to illegal traders because of poor controlling, better price and illegal traders are more in number also they are nearer to the farmers during coffee harvesting.

5.4.3, Observational Data Analysis

What is being observed is, this industry opens job opportunity for unemployment generation from harvesting up to supplying to ECX. Meaning in every its activity or coffee supply chain, it opens job opportunity. Coffee transaction center is not working by now and coffee marketing is everywhere. The shops in the Agaro Town or every small town in the district are transacting quality coffee. During coffee harvesting season, almost all the streets are filled with illegal traders. The activities to control such illegality is not observed.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary of Major Findings

This study has been processed and analyzed the collected data. Based the results identified on this study, the researcher could able to summarize the following major findings which presented as shown below;

- ✓ Regarding socio-demographic characteristics' of the respondents, 159 (75.7%) were male which indicates that the proportion of male respondents were high on this study. This implies that male were involved on coffee industry than female in the study area. 151 (71.9%) were found between 35 and 55 years old which is active working age and mature enough to mitigate performance errors and also consider the subject matter carefully . And 54 (25.7%) have attained from grade 9-10+, followed by 40 (19%) and 32 (15.2%) were found in others educational level and attained grade 1-8 level respectively.
- ✓ The study showed that the mean value for illegal coffee trade was (m=4.08) which were found in between 3.42-4.2 which mean average number of respondents were agreed the practicing of illegal coffee trade in the study area. This implies that there was an illegal coffee trade which was practicing with illegal coffee traders on the study area. Whereas the mean value for price difference, market situation, Poor Treatment of coffee producers, suppliers and processors and legal controlling were (m=3.71), (m=4.15), (m=4.10) and (m=3.96) respectively. For the above indicated factors most of the respondents were agreed on their effect on the illegal coffee trade.
- ✓ In relation to price difference as determining factor for illegal coffee trade, according to the information observed in this study, the mean value for Price difference in existing coffee markets make sellers to sell their coffee with better price, Better coffee price are found in a local market, and In the illegal market product price determined without concerning product quality were 3.62, 3.70 and 3.65 respectively, the values which were found in between 3.42-4.2 which mean average number of respondents were agreed on the above indicated statements.

- ✓ Similarly the mean values for Locally available illegal market set better price for the coffee product and In natural or sun dried coffee type illegal trading activity is observed with better price were 3.78 and 3.64 respectively, the values which were found in between 3.42-4.2 which mean average number of respondents were agreed on the above indicated statements. The above findings indicate that set better price on illegal market and having better price for coffee dried on natural sun dried at the local market make the coffee producers to join the illegal market.
- ✓ Regarding the market situation, according to the information observed in this study, the result showed that the mean value for 'Loss of alternative markets rather than ECX highly forced legal traders to be attracted toward illegal trading activities' (m= 3.79, SD=1.312), there was open market of coffee in mini market for daily cost coverage of producers (m=4.23, SD=1.111), There is transaction of quality coffee in local markets (m=3.97, SD=1.219), In red cherry coffee type illegal trading activity is observed (m=3.89, SD=1.203), In coffee with traditionally processed coffee type illegal trading activity is observed (m=4.27, SD=1.136) and In natural or sun dried coffee type illegal trading activity is observed (m=3.89, SD=1.296) the mean for all statements were found in between 3.42-4.2 which mean average number of respondents were agreed on the above indicated statements.
- ✓ Concerning the poor treatment of coffee producers, suppliers and processors, according to the information observed in this study, the mean values for The producers had a belief the market price of coffee has been better at the illegal market (m=4.19, SD=1.175), Emergency financial need by producers forced them to join the illegal market (m=4.02, SD=1.218), Low awareness creation on producers by regulatory law of coffee make producers to incline on illegal market (m=4.09, SD=1.232), Poor treatment for coffee producers, suppliers and processors tend them to involve on illegal market (m=4.00, SD=1.235) and Poor feeling of responsibility by stockholders for coffee marketing and quality problems has positive contribution for illegal trades of coffee (m=4.13, SD=1.162), the mean for all statements were found in between 3.42-4.2 which mean average number of respondents were agreed on the above indicated statements.
- ✓ In relation to the legal controlling mechanism for illegal coffee trade, according to the information observed in this study, the mean values for Poor controlling and directing mechanism of coffee markets enhance illegal coffee market (m=3.92, SD=1.229), Low

awareness creation on regulatory law of coffee ($m=4.14$, $SD=1.301$), In traditionally processed coffee type illegal sold in local market ($m=4.04$, $SD=1.273$), Regulatory law of coffee gives more attention to hard currency but ignoring coffee stockholders (producers, suppliers & processors) ($m=3.86$, $SD=1.258$), There is more illegal traders of coffee in the woreda due to poor controlling system ($m=3.87$, $SD=1.302$) and Lack of strong legal controlling system increase the illegal traders involvement on the coffee market ($m=3.91$, $SD=1.282$), the mean for all statements were found in between 3.42-4.2 which mean average number of respondents were agreed on the above indicated statements.

- ✓ In relation to illegal coffee trading practices, according to the information observed in this study, the result showed that, the mean of all the statements that measure illegal coffee trade practices were found ($m= 3.42-4.2$), which most of the respondents were agreed for the respective indicated statements. These indicate that; no specific linkage between coffee producers and licensed traders, primary coffee transaction center is not utilized as coffee transaction center, the high consumption of quality coffee by coffee producers, expansion of non licensed trading activities of coffee in the Woreda, change of capital growth on illegal trades with in short period attracts legal traders, existing problem within central markets (ECX) that favors illegal trading and all processed coffee in the coffee processing industries is not supplied to ECX were the practices that could characterize or enhance the illegal coffee trading on the study area.
- ✓ Poor treatment to producers, specially low income from coffee product, demoralize them and resulted in low productivity of coffee. The marketing situation pushes producers to illegal traders because of poor controlling, better price and illegal traders are more in number also they are nearer to the farmers during coffee harvesting.
- ✓ The problems in ECX especially in ranking and pricing strategies paralyze legal trading and energize contraband or black markets. Export price is less than local price and the price of substandard coffee in local markets is more than quality coffee in central markets. So, traders prefer better income and that leads them to illegal trade.
- ✓ The way of controlling and directing mechanism by now is very poor. All processed coffee are not supplied to ECX especially sun dried coffee because of illegal activities.

- ✓ The drawbacks within regulatory law of coffee is avoiding coffee collectors and giving attention only for hard currency and makes them illegal. Also consuming quality coffee by domestic consumer is illegal. These open the door to illegal traders.

5.2. Conclusions

Based on the result which revealed the study and the findings which were summarized in this study, the researcher could able to draw the following conclusive statements for the conducted study.

The study could identified as there was a significant positive relationship between Price difference, Market situation, Poor treatment of coffee trade stakeholders , poor legal controlling system and Illegal trade of coffee in Gomma Woreda. The existing price difference of coffee on the current market, the market situation which identifies the coffee product availability on the illegal market, poor treatment of coffee producers, suppliers, and processors and poor legal controlling system of the coffee trade could able to be a practices and challenges of illegal trade of coffee in Gomma woreda . This study also identifies that as an indication of poor legal controlling system the consumption of quality coffee by coffee producers becoming high and there was seen observable growth of capital change of illegal coffee traders and also expansion of non-licensed coffee trade activities in the woreda. This might be seriously hinder the legalized business activities in the woreda. The market situation could assess the coffee products in different forms which includes the red cherry coffee, coffee with pulp, natural or sun dried and culturally processed coffee products in respective to the seasons for their availability in the illegal market.

This study showed that there is strong relationship between, poor legal controlling system, and poor treatment of coffee producers, suppliers & processors and Illegal trade of coffee, which means failing to keep the legal controlling system, will lead to increase illegal form of coffee trade.

In illegal markets quality has no value. So, producers doesn't get better price for their quality product. Also legal traders in order to compete with the illegal one, buy all coffee products with equal prices or all traders in the Woreda don't give value for quality when they buy from producers. But the suppliers are gaining value or price difference for quality in central markets. This is why producers are consuming quality coffee at home and don't give concern for quality

of their product. Therefore poor quality coffee and illegal trade of coffee has strong and direct relation. These are implications for poor treatment to coffee producers and poor legally controlling on illegal traders.

The other is challenges faced coffee suppliers is price difference between local markets and ECX: that is the price of naturally dried coffee in local markets is higher than price of washed coffee with parchment which is considered as very high quality in ECX. Poor strategies for pricing and ranking in ECX, unfair taxation and improvement in life standards on non licensed traders highly pushing legal traders toward the illegal trading activities. This implies problems in market situation and price difference.

Problems within regulatory law of coffee favor expansion of non licensed traders. These are avoiding coffee collectors from coffee transaction system and prohibiting consumption of quality coffee domestically. This makes great challenge to defend illegality on coffee.

Poor treatment to producers, specially low income from coffee product, demoralize them and resulted in low productivity of coffee. And problems within central markets and unfair taxation push the legal traders toward the illegal one.

Therefore, legal traders become leaving out from the coffee business. Also the need for new comers(beginners) to this business is decreasing and totally stopped in 2012 E.

Coffee transaction center is not utilized as coffee transaction center because of avoidance of the coffee collectors. This makes the coffee tubeless water which flows to the direction it can flow. Poor application of the regulatory law is the current problem even if the skeleton of the law is good its application is very poor and power is not delegated to the coffee experts to apply.

Now a days the size of coffee supplied to central markets is highly minimizing and more size is shifted to contraband activities. So, the country is in danger because if we can't supply enough size (very small size of the agreement) to the international markets, our agreement with them might be broken. If this is occur, we might be lead to supply total amount of the product to domestic consumer. Finally, more supply than demand in domestic markets and fail in price than present will occur on the product. Also the country will loss the hard currency it gets from this industry.”

Finally, it can be concluded that price difference, market situation, poor treatment of coffee producers, suppliers and processors and legally controlling were the practices and challenges for illegal trade of coffee in Gomma woreda.

5.3. Recommendations

Based on the identified result, the findings which summarized & the conclusion had been drawn, the study could able to forward the following recommendations as a possible solution for the identified gaps to the concerned bodies for intervention.

- Price difference within local markets appreciates illegal activity by more. In central markets suppliers have no guarantee, because no range in pricing. Therefore, The agriculture sector of the woreda with its regulatory body should have to take immediate action to balance the price and also to tackle the illegal form of coffee trade in the woreda.
- The way of controlling and directing mechanism by now is very poor in the study area. All processed coffee are not supplied to ECX especially sun dried coffee because of illegal activities. This creates a loss for the country which share the advantages which the country have got from coffee. Thus, the government should have to enforce to strengthen the legal controlling system to tackle this great loss.
- ECX especially in ranking and pricing strategies paralyze legal trading and energize contraband or black markets. Export price is less than local price and the price of substandard coffee in local markets is more than quality coffee in central markets. This might be promoting the illegal form of coffee trade. Thus, the government should have to pay a great concern to adjust the gap in this regards.
- In the current market situation the market availed mostly four forms of coffee on the illegal market. Thus the local authorized personnel's should have to conduct a continues follow-up of the market should have to restrict the market standards.
- The government should have to do more on quality of coffee product and how the value is given for quality by making price difference to producers. Create awareness on the market situation, and about the regulatory law to coffee stockholders by giving a great concern for them to provide a sustainable improvement on the coffee markets.

- Amendment of the regulatory law of coffee is needed specially on coffee collectors and domestically consumption coffee. And increasing productivity of coffee to compensate for export purpose. To increase the productivity, coffee producers have to be treated.
- It is suggested that primary coffee transaction center must be utilized for coffee transaction center and the coffee flow tube must be through legal line. It is better to improve application of the regulatory law and power delegation is needed to the coffee experts to apply the law.

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Annex-I

Correlations

		Price Difference	Market Situation	Poor Treatment of coffee producers, suppliers and processors	Legal Controlling	Illegal Coffee Trade
Price Difference	Pearson Correlation	1	.599**	.737**	.763**	.742**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	210	210	210	210	210
Market Situation	Pearson Correlation	.599**	1	.566**	.716**	.688**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	210	210	210	210	210
Poor Treatment of coffee producers, suppliers and processors	Pearson Correlation	.737**	.566**	1	.866**	.876**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	210	210	210	210	210
Legal Controlling	Pearson Correlation	.763**	.716**	.866**	1	.964**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	210	210	210	210	210
Illegal Coffee Trade	Pearson Correlation	.742**	.688**	.876**	.964**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	210	210	210	210	210

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

Annex-II

Jimma University

Business and Economics College

Questionnaire, Interview and discussion questions prepared as part of Research Thesis in Partial Fulfillment of the Requirements for award of a master's degree of Business Administration (MBA)

Dear Respondent:

This study is deserved to collect relevant information from selected staff to abet in the assessment of "Practices and challenges of illegal trades of coffee in Gomma Woreda". The information required is strictly for academic purpose so as to do the research thesis in partial fulfillment of the requirements for award of a master's degree of Business Administration (MBA). Thus, any data provided would be treated with the utmost confidentiality and shall be used only for the intended purpose. Hence in completing the Questionnaire voluntarily, your honest opinion is highly requested.

Thanks a lot in advance!

Questionnaire Part

Instruction-1: Circle the appropriate answer or complete the data required

Section I: Demographic Data and profile of Respondents

1. Gender: A) Male B) Female

2. Age: A,25-35 B,35<-45 C,45<-55 D,55<-65

3. Education level: **voluntarily**

A) Certificate B) Diploma C) Bachelor degree D) Masters Degree & Above E. Others

4. Service year in the Organization: ()

5. The name of Your organization_____

6, Your department in the organization_____

7. Your position in the organization?

A) Manager B) Head, branch C) Dept Supervisor D) Expert E) Supportive (Subordinate)

Instruction-2: Using the given scale rating points (1-5) below, please tick the mark (✓) for the level of agreement you decided for each description presented as per the variable in the tables below.

{Strongly disagreed (SD=1), disagreed (D=2), partially agreed/disagreed (N=3), agreed (A=4), strongly agreed (SA=5)}

Section ii, Practices and challenges of illegal trades of coffee in Gomma Woreda

CODE	PRACTICES AND CHALLENGES	1	2	3	4	5
PD	PRICE DIFFERENCE	Frequency				
PD1	Price difference in existing coffee markets make sellers to sell their coffee with better price					
PD2	Better coffee price are found in a local market					
PD3	In the illegal market product price determined without concerning product quality					
PD4	Locally availed illegal market set better price for the coffee product					
PD5	In natural or sun dried coffee type illegal trading activity is observed with better price					
MS	MARKET SITUATION					
MS1	Loss of alternative markets rather than ECX highly forced legal traders to be attracted toward illegal trading activities					
MS2	There was open market of coffee in mini market for daily cost coverage of producers					
MS3	There is transaction of quality coffee in local markets					
MS4	In red cherry coffee type illegal trading activity is observed					
MS5	In coffee with traditionally processed coffee type illegal trading activity is observed					
MS6	In natural or sun dried coffee type illegal trading activity is observed					
PT	POOR TREATMENT OF COFFEE					

	PRODUCERS, SUPPLIERS & PROCESSORS					
PT1	The producers had a belief the market price of coffee has been better at the illegal market					
PT2	Emergency financial need by producers forced them to join the illegal market					
PT3	Low awareness creation on producers by regulatory law of coffee make producers to incline on illegal market					
PT4	Poor treatment for coffee producers, suppliers and processors tend them to involve on illegal market					
PT5	Poor feeling of responsibility by stockholders for coffee marketing and quality problems has positive contribution for illegal trades of coffee					
LC	LEGALLY CONTROLLING					
LC1	Poor controlling and directing mechanism of coffee markets enhance illegal coffee market					
LC2	Low awareness creation on regulatory law of coffee					
LC3	In traditionally processed coffee type illegal trading activity is observed					
LC4	Regulatory law of coffee gives more attention to hard currency but ignoring coffee stockholders (producers, suppliers & processors)					
LC5	There is more illegal traders of coffee in the woreda due to poor controlling system					
LC6	Lack of strong legal controlling system increase the illegal traders involvement on the coffee market					
ICT	ILLEGAL TRADE OF COFFEE					
ICT1	There is no specified linkage to whom coffee producers sell their product to licensed traders					
ICT3	Primary coffee transaction center is not utilized as coffee transaction center					

ICT4	Consumption of quality coffee by coffee producers is high					
ICT5	It is observed that the expansion of non licensed trading activities of coffee in the Woreda					
ICT6	Observable change of capital growth on illegal trades with in short period attracts legal traders.					
ICT7	There is a problem within central markets (ECX) that favors illegal trading.					
ICT8	All processed coffee in the coffee processing industries are not supplied to central markets(ECX)					

Section- iii Interview questions

Interview questions for higher officials, office/department heads only

- 1, what is the main problem in coffee collecting, processing and marketing center?
- 2,Do you imagine all coffee traders are licensed? A, yes B, no
- 3, If non licensed traders are there in the district, what is the main problem existing now?
- 4, what makes **favorable condition** for expansion of illegal trades of coffee?
- 5,Would you estimate the number of coffee collectors in the woreda ?
- 6,Is the number of coffee traders those renewed their license in different budget years increasing or decreasing? why?_____
- 7,Is primary coffee transaction center utilized as transaction center of coffee? A, yes B, no
- 8,If your answer for the above question is “B” why?
- 9, what quality level of coffee is more consumed in the woreda? Why?
- 10,What amount of woredas’ revenue is lost because of illegal trades of coffee ?
- 11,what is the advantages of coffee marketing & quality control proclamation 2017 to producers, suppliers &processors?

12, what is the drawbacks of coffee marketing and quality control proclamation 2017 that contributes favorable condition for expansion of illegal trades of coffee?

13, What is controlling and supporting mechanism by governmental sector to coffee producers, processors & suppliers?

Interview questions prepared for coffee traders ,suppliers &processors only

Type of your license in coffee marketing: chagn(supplier)---,processor-----,farmers cooperative-----other_____

1. What is your relation(linkage) with coffee producers?
2. What is the main problem in central coffee markets (ECX)?
3. What is the consequence for loss of alternative markets rather than ECX?
4. Do you think that there is price difference within domestic markets? A, yes B, no
5. If your answer for the above is “A”, who is advantageous from this situation & how?
6. Are all coffee traders licensed? A, yes B, no
7. If your answer for question number 6 is ‘B’ ,why?
8. What it seems the extent of non licensed trading activity in the current coffee trade industry?
9. What is the drawbacks of “coffee marketing and quality control proclamation 2017 “ for you?
10. How governmental body controlling & guiding you? What is its drawbacks?
11. Do you feel responsible for the quality of coffee you buy or sell ? A, yes B, no
12. If your answer for the above question is ‘B’ give the reason?
13. All processed coffees are supplied to ECX? If not why?
14. Do you need to continue on coffee trading /processing? A, yes B, no .
15. If your answer for the above is “B” Why?
16. If you have a right to select among the alternatives, where do you prefer to sell your coffee as a commodity ?
17. Reason out your answer for the above

Section- iv **discussion questions**

I, prepared for coffee producers only

1. What can you say about the productivity of your coffee plantation? A, High B, Medium C, Low
2. If your answer for question number “1” is not A, why?
3. What do you feel your annual revenue from coffee production? A, High B, Medium C, Low
4. If your answer for question number “3” is not A, why?
5. What do you say the quality of coffee you produce? A, high B, medium C, low
6. If your answer is not ‘A’ why?
7. What type of coffee do you consume more at your home? A, high quality B, Low quality C, Mixed
8. If your answer for the above question is “A” ,why not you sell all of your high quality & consume the low one?
9. What do you feel at the current coffee price? A, happy B, non sense C, disappointment
10. What do you feel on price difference of coffee in the local markets (different Ethiopian towns)? A, happy B, non sense C, disappointment
11. Who gets an advantages on price difference of coffee with in domestic markets?
12. How many coffee collectors are there in your kebele?_____
13. To whom you sell your product, is licensed? A, yes B, no C, both(licensed & non licensed) D, I don’t care their license but their price
14. In what extent is the governmental body controlling & guiding the legality of coffee transaction?

Reliability analysis

	N of Items	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Price Difference	5	.777	.931
Market Situation	6	.688	.943
Poor Legal Controlling	6	.932	.897
Poor Treatment of coffee producers, suppliers and processors	5	.843	.915
Illegal Coffee Trade	8	.921	.904

The reliability of the survey variables were initially tested before the hypothesis theory mentioned in previous work was verified. Firstly, in accordance with the work of (Thompson et al, 2017), The Cronbach's α used in this study for the dimensions of each construct is higher than the critical value of 0.7, as proposed by (Nunnally, 1978), indicating that the internal consistency of the scale used in this research is excellent.

Declaration

I hereby declare that, this thesis entitled: “Practices and challenges of Illegal Trades of coffee in Goma Woreda” , has been carried out by me under the guidance and supervision of Mr. Wubshet M. and .

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

Researcher’s Name

Date

Signature

Abdulmejid Abdo

Certificate

This is to certify that the thesis entitled “Practices and challenges of Illegal Trades of coffee in Goma Woreda” submitted to Jimma University, College of Business and Economics for the award of Degree of Master of Business Administration (MBA) is a record of genuine research work carried out by Abdulmejid Abdo, under our guidance and supervision. Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institution for the award of any degree or diploma.

Main Advisor’s Name

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