

Full Length Research Paper

Evaluating Coffee Market Structure and Conduct in Bench – Maji Zone, South West Ethiopia

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This study was designed to analyze Coffee Market Structure and Conduct in Bench Maji zone with the specific objectives of coffee market structure and conduct and coffee marketing in Bench Maji Zone, SNNPRs of Ethiopia. A two stage random sampling techniques was used to select 15 Pas and 150 coffee growers from the two major coffee producing woredas of the zone, while a purposive sampling technique was employed to select 40 traders and seven processors. Both primary and secondary data were used for this study. Descriptive statistics, and Conduct- structure and performance approach were employed to analyze the data. The analysis of market structure showed that strongly oligopolistic. The four firms concentration ratio for wholesalers were 70% and 84.77% for Sheko and South Bench woredas respectively, while the concentration ratio for coffee collectors were 68.8% and 60.33% for both woredas in the same order.. About 85% and 51% of sampled producers do not have reliable information about auction market and local market prices, respectively. Analysis of coffee market entry barriers indicates that shortage of capital, licensing only for specific business activities, and quality of coffee and presence of illegal traders were the major entry barriers into coffee trade for most traders. About 68% of traders reported shortage of capital. Regarding the conduct of coffee market, pricing strategy of the traders indicates that 55% of the traders set the purchase price. Purchasing strategy of traders shows that about 68% of traders purchase by themselves and 18% purchase by using brokers. Regarding selling strategy, 90% of wholesalers reported that they sell coffee to the auction market through their agents at Addis Ababa. However, coffee collectors sell purchased coffee by themselves to wholesalers.

Keywords: Coffee, Conduct, market structure, producers, traders

INTRODUCTION

Coffee is the most important cash crop with superior quality and organic in nature, indicating the huge potential of fetching high price premium in both domestic and the international markets (FAOSTAT, 2011). Over millions of the farming households and about 25% of the total population of the country are dependent on the production, processing, distribution and export of coffee. It also accounts for more than 25 % of GDP absorbs around 25% of employment opportunity for both rural and urban dwellers and 10% of the total government revenue (CSA, 2008).

Coffee has been given greater attention by Ethiopian government and it is the first cash crop with which the Ethiopia Commodity Exchange (ECX) commenced

trading operations in April 2008 to improve the coffee markets in the country. According to ECX (2011), agricultural markets in Ethiopia before 2008 had been characterized by small scale producers (95%), high costs and risks of transacting and little access to market information. The weak performance of the agricultural markets in Ethiopia has been recognized in various studies as the major impediments to the growth of the agricultural sector and the overall economy (FAO, 2011). Without an efficient marketing system, the surplus resulting from increased production benefits neither the producer nor the country (Jema, 2008).

The Bench Maji zone Agriculture and Rural Development (2012) reported that about 13,421 tonnes

of coffee were produced in the Bench Maji zone in the year 2011. This represents about 12.6% of SNNPRs output and 4.4% of Ethiopia's total output. Given the economic and social importance of coffee to the country in general and the Bench Maji zone in particular, an efficient marketing system may contribute to an increase in the marketable surplus by scaling-down the losses arising out of the inefficient processing, storage, and transportation. It guarantees the farmers better prices for their products and induces them to invest their surplus in the purchase of modern inputs so that productivity may increase (Kohls and Uhl, 1998). Many previous studies have given more emphasis on marketing of from already prominent producing areas such as Kaffa, Sidama, Illubabor, Wellega and Hararghe. However, no research has been conducted on the marketing of coffee in Bench Maji zone though organic coffee production is a principal in the area among other found in Ethiopia. Therefore, this is the basic idea behind the analysis of coffee market structure and conduct in Bench Maji Zone, SNNPRs of Ethiopia.

RESEARCH METHODOLOGY

Sources and methods of data collection

Cross-sectional data from both primary and secondary sources were used for the study. The primary data were collected from sample coffee producers and traders by using structured questionnaires and informal survey. Separate questionnaires were designed for sampled farmers and traders. The questionnaires were pretested before the actual data collection practices. In addition to the questionnaire, an informal survey in the form of market visit and focussed group discussions were employed to acquire additional supporting information. Discussions were made with key informant farmers, coffee traders, and coffee marketing experts at the respective woredas and zonal level. In addition to primary data, secondary data were collected from Bench Maji zone Agriculture and Rural Development and from agricultural office of the two major sampled, Bench Maji zone Trade and Industry office, Bench Maji zone Finance and Tax office, Cooperative Union, CSA, MOA, EXC.

Sample Size and Methods of Sampling

The sample respondents were coffee growing farmers, coffee collectors, coffee suppliers/ wholesalers, coffee hullers and pulper. Both purposive and random sampling techniques were used to select the two woredas and producers, respectively. The list of coffee producing woredas in the study area was obtained from

the Zonal Office of Agriculture and Rural Development and then after, Sheko and South Bench woredas were purposively selected on the ground that they are the leading coffee producers in the zone.

After identifying the area, a two-stage random sampling techniques were used to select the PAs and farm households. In the first stage, due to constraints of time and logistics, 7, and 8 PAs were randomly selected from Sheko and South bench woredas respectively. In the second stage, a total of 150(70 from Sheko and 80 from South Bench) coffee growing farmers were drawn from the selected PAs using systematic random sampling techniques. Moreover, 13 coffee wholesalers which also undertake coffee processing, 27 coffee collectors, 3 coffees pulping and 4 coffee hulling firms were purposively selected for the analysis.

Method of data analysis

The major descriptive methods used were mean, standard deviation, minimum and maximum, ratio, percentages and. In assessing the market structure three major indicators of competition was used namely; market concentration, the condition of entry in the coffee markets and market transparency. Market Conduct refers to the market behaviour that firms follow in adopting or adjusting to the market in which they sell or buy. Price setting, purchasing and selling strategies of traders were the major indicators of market conduct. The study used these indicators to analyse the market conduct of coffee traders in the study area. The major coffee marketing problems at farmer, traders and firms' level were also analyzed using common descriptive statistics mentioned above.

Market concentration measures: It is an indication of the existence or the absence of potential monopoly power. The concentration of firms in the market was estimated using the common measure called market concentration ratio. This method of analysis was adopted because of its simplicity and that most researchers had used this method to estimate market structure. It is given by: The concentration index was calculated by using the following formula.

$$S_i = \frac{V_i}{Q_i} \dots\dots\dots 1$$

Where Si=market share of buyer i, Vi=amount of product handled by buyer I and Qi=total product handled

$$C = \sum_{i=1}^r S_i \quad i= 1, 2, 3, 4 \dots\dots\dots (2)$$

Where, Si is the percentage market share of the ith firm and r is the number of relatively larger firms for which the ratio is going to be calculated.

If high percentage of the volume of coffee is handled by

Table 1: Four firms concentration ratio for coffee collectors and wholesalers in the sample markets.

Markets	Market agents	
	Collectors	Wholesalers
Sheko	68.80*	70.00*
South Bench	60.33*	84.77*

Source: survey result, 2013. Note that * represents strongly oligopolistic market

a small percentage of traders, this normally indicates that the marketing system has monopolistic tendencies and hence poor market competition. Accordingly, Kohl's and Uhl (1985) state that as a rule of thumb, four largest enterprises' concentration ratio of 50% or more as an indication of a strongly oligopolistic industry, 33-50 % as a weak oligopoly, and less than that as competitive industry. The greater the degree of concentration, the greater will be the possibility of non-competitive behavior.

RESULT AND DISCUSSION

Structure and Conduct of Coffee Market

The structure of the market was evaluated in terms of the degree of concentration, barriers to entry (licensing, lack of capital and managerial knowhow, illegal traders and quality of coffee), and degree of market transparency (market information).

Degree of Market Concentration

The primary coffee market is characterized by un-concentrated suppliers. Coffee is supplied to the market by a very large number of farmers from different areas, whereby no producer affects the function of other producers. In this study the degree of market concentration was estimated for coffee traders (coffee collectors and wholesalers). Accordingly, the market at coffee collector level is strongly oligopolistic in both woredas. This is because there are few numbers of such collectors controlling coffee purchase.

In Table 1, Sheko and South Bench Woredas the four largest coffee collectors handled about 68.8% and 60.33% of the total volume purchased, respectively. According to Kohls and Uhl(1985), the coffee market in both woredas is a strongly oligopolistic market. This indicates that there is a market imperfection because few traders seem to have monopolized the coffee market. The wholesalers are also strongly oligopolistic in both Woredas although the concentration ratio is more pronounced in South Bench woreda where the number of wholesalers is small. This implies that some

wholesalers do influence the market price which contrasts the competitive market criteria. Wholesalers have more market power to influence the functioning of the vertical integration.

Barriers to Entry

Capital: About 67% of sample coffee collectors and 69% of the wholesalers have reported shortage of capital as an important problem. About 56% and 35 % of sample coffee collectors and wholesalers also reported that they did not have access to formal credit sources. The capital requirement discouraged traders from expanding their scale of operation, achieving greater efficiency, and engaging in the long-run storage needed. This implies that capital requirement is a major entry barrier in the coffee trading.

Licensing: Licensing was also an entry barrier in a sense that licensed traders were strictly forbidden to perform other than the activity for which they were licensed. Even though 70% of sample traders reported that the procedure to get license is somewhat simple, the requirement of having appropriate facilities such as such as weighing scale, store, sisal sack, drying fields etc. were the major binding factors for coffee collectors as these require large amount of capital.

Illegal traders and quality of coffee: The existing weak control mechanism of unlicensed traders and the quality of *Jenfel* (sun-dried coffee) has led to the supply of *Jenfel* that is adulterated with broken coffee beans resulted in losses to some wholesalers in addition to reducing the amount of exportable coffee. The respective Woreda offices of agriculture, in fact, do have coffee marketing and quality inspection centre. However this is nominal in that the licensed traders were not well protected. About 74% of the sample coffee collectors and 70 % of the wholesalers complained that competition from illegal traders was too stiff. Their presence resulted in both diversion of coffee away from the legal channel and the supply of poor quality coffee.

Degree of market transparency

Timely and reliable market information is a widely accepted service in terms of economic efficiency and performance. A well functioning marketing system

Table 2: Number (%) of sample farmers using different sources of price information (Multiple response).

Source of price information	Number of farmers	Percentage
The market itself	40	26.67
Other farmers	30	20.00
Extension agents	20	13.33
Coffee collectors	75	50.00
Illegal traders	25	16.67
Radio	22	14.67

Source: survey result, 2013.

requires information on the most recent price of coffee both at the auction and world markets. Now there is a good trend that the government (Ethiopian Commodity Exchange) broadcast auction market prices of washed and unwashed coffee through TV, Radio and Internet. However, most of the farmers (85.33%) reported that they had not been receiving information on auction market price due to their lack of access to these Medias. The majority of the farmers obtain market price information from the market place is self, by asking other farmers, extension agents, coffee collectors or unlicensed traders/ farmer traders. The price level prevailing in the coffee market is set by traders. There is no mechanism to prove its consistency with the auction market price. In short, the timeliness and the quality of information obtained from those sources matter as commented by 47% of the sampled farmers. In fact, wholesalers had auction market information though they could not immediately respond to price at the terminal market by adjusting the buying prices (Table 2).

Conduct of market intermediaries

Conduct refers to the market behaviour that firms follow in adopting or adjusting to the market in which they sell or buy. Price setting, purchasing and selling strategies of traders were the major indicators of market conduct. The study used these indicators to analyse the market conduct of coffee traders in the study area.

I. Coffee traders price setting strategy

In the study areas coffee traders had a significant market power in setting price at the local market. About 63% of the sampled coffee farmers reported that traders set coffee price. Furthermore, about 55% of sampled coffee traders also confirmed that they set purchase price in the local market centre, while 20% of them responded that price is determined by the market itself. The rest of the traders disclosed that prices were sometimes discovered by negotiation with sellers. Traders adjust their purchase price by observing their competitors' purchase price at

the market centre. They do so either through their brokers or family members. Due to seasonal nature of production, large volume of coffee is supplied to the local market during harvesting seasons which decreases the bargaining power of producers.

II. Coffee Traders Purchasing Strategies

Both coffee collectors and wholesalers have their own purchasing strategies. On the market day wholesalers distribute large amount of money to most coffee collectors and some brokers to control the volume of purchase. They arrange medium trucks (Isuzu) to transport the purchased coffee from market places to their store. Wholesalers closely follow purchasing activity by using motor bicycle. Upon the delivery of purchased coffee, those agents are paid a commission 0.20 to 0.30 cents per kg of coffee. Collectors were highly mobile and control the volume of purchase through their friends at the market places and even by moving from home to home for 2 to 3 days before the market day. They earn a price margin above the normal level either by adjusting the weighing scale (cheating certain amount of kilogram during measurement) or lowering the price of some coffee quality lot and then blended with better ones as reported by 45% of sampled wholesalers. Though brokers are very important for the wholesalers during the major transaction period to handle more volume of coffee and store for speculative purpose, about 68% of sampled traders purchase directly without using brokers, while 18% of them purchase through brokers and the rest through a combination of direct purchase, brokers or commission agents.

III. Coffee Traders Selling Strategies

Coffee collectors sell purchased coffee to wholesalers based on prior agreed commission mentioned above. Almost all wholesalers had their own agents at Addis Ababa who facilitate exchange process, money transfer and market information though telephone. These agents were paid birr 1000 to 2000 per truck depending on the

loading capacity of the truck as reported by 90% traders. Coffee traders were forced to store hulled coffee at the local level when the price of coffee at the auction market is not attractive due price decrease in the international influence.

Analysis of coffee marketing problems at different levels

There are a number of constraints that hamper further development of the coffee sector in Bench Maji zone. These can be categorized in to three major classes based on the different level of the marketing chains.

Farm level coffee production and marketing problems

Table 3 shows that coffee plant diseases called *Gibrilla* and *CBD* diseases were the bottlenecks for coffee production for about 90.67% of the coffee growing farmers. They also reported that diseases of coffee plants are also critical problems that deteriorate natural coffee quality. About 67% of the sample farmers complained that there was shortage of sisal sack used for packing and storing coffee until it is transported to the selling market centre. Sisal sack is recommended to maintain the required level of coffee quality.

According to farmers this material is not available in the local market and for that they frequently requested the Woreda office of agriculture for this material and the Woreda replied that the material is available only at Addis Ababa at the cost of 30 birr per sisal sack which is too expensive for farmers. About 67% of the farmers indicated that there were serious infrastructural problems in that village markets are connected with woreda town by poorly paved roads that constraint buyers to come to the market or to take coffee to woreda town market where there are plenty of buyers. They responded that the distance from the market ranges from 3-20 kms coupled with the ups and down nature of the topography that makes more difficult for vehicles to enter. Human and pack animals are the most frequently used to transport coffee.

Lack of coffee drying bed and presence of illegal traders were also indicated as marketing constraints by 64% of sampled respondents. Drying bed made up of mesh wire (chicken wire) is the recommended input to maintain an acceptable level of sun-dried quality. However, most farmers used to dry their coffee on the ground or on poorly constructed local drying beds which deteriorate coffee quality. Such a quality coffee is classified as lower grade at the auction market and fetches lower price. Price setting was also another bottleneck as reported by about 63% of the sample farmers. Farmers couldn't set price for their coffee. The reasons stated by farmers are

market power of traders, unstable coffee price, lack of timely and reliable coffee price information from central market and poor relationship with coffee traders.

Land scarcity was indicated as another hindrance of production by 62.67% of coffee growing farmers. The survey result indicated that an average land holding holdings of sample farmers is about 2.61 hectares. Poor market information on the other hand was reported by 50% of sample farmers. Access to the formal credit service was very limited as confirmed by 50% of the sample farmers. Farmers require credit for purchasing farm tools, chemicals to control coffee plant diseases as reported by 30% of the sample farmers. About 40% of the sample farmers also require credit for consumption and social obligation purposes. Inadequate access to credit services is one of the reasons that affect the quality of coffee through farmers' practice of early harvesting to meet urgent cash needs. Some farmers (25%) sold their coffee at flowering stage to meet cash needs.

Coffee Marketing Problems at the Traders Level

About 86% of the sample respondents confirmed that poor quality coffee supplied by farmers and illegal traders was the major problems that affect the potential of coffee to fetch reasonable price both at the export and domestic markets. The major reasons stated by traders were poor handling system at the farm level coupled with the action of adulteration by illegal traders resulted in deterioration of coffee quality. They also noted that due to the forest nature of Bench Maji zone's coffee, the trees are very big and as high as 15 meters, making it difficult to harvest directly from the trees. As a result, farmers are waiting until the coffee beans fall on the ground by which time the beans are already spoiled and lost their natural quality (Table 4).

Eighty percent of traders noted that the government did not support them to improve coffee marketing system in strictly controlling illegal traders, arranging credit facilities, cutting tax, rewarding coffee growing farmers who produce quality coffee in order to encourage others to do so. The existence of large number of unlicensed traders in coffee marketing which led to poor coffee quality marketing and instability in coffee price at local level were also serious problems for 72.5% of coffee traders. About 68% of the sample traders indicated that they faced capital shortage to run and expand their business. This is due to lack of lending institutions and high interest rate on loans. Coffee takes enough time until it is processed and supplied to the central market. This means huge amount of capital remains with unsold coffee affecting traders' working capital. This problem is more pronounced for the wholesalers as they also undertake processing function.

Table 3: Distribution of sample coffee producers by their perception about coffee producing and marketing constraints.

Problems	Sheko N= 80		South Bench N= 70		Total N= 150	
	No	%	No	%	No	%
Land scarcity	49	61.25	45	64.29	94	62.67
Coffee diseases	72	90.00	64	91.43	136	90.67
Lack of pesticides	25	31.25	12	17.15	37	24.67
Poor market information	60	75.00	16	22.86	76	50.67
Poor infrastructure	56	70.00	44	62.86	100	66.67
Lack of credit services	38	47.5	37	52.86	75	50.00
Traders market power	51	63.75	44	62.86	95	63.33
Lack of drying bed	63	78.75	33	47.14	96	64.00
Lack of packing materials	57	71.25	44	62.86	101	67.33
Presence of illegal traders	51	63.75	45	64.29	96	64.00
Lack of coffee seedlings	22	27.50	9	12.86	31	20.67
Poor extension services	17	21.50	9	12.86	26	17.33

Source: Own survey result, 2013.

Table 4: Distribution of coffee traders by their perception about coffee marketing problems in the study area

Problems	Coffee collectors N= 27		Wholesalers N=13		Total N=40	
	No	%	No	%	No	%
Overall shortage of coffee supply	5	18.52	2	15.38	7	17.50
Farmers reluctance to sell	15	55.56	9	69.23	24	60.00
Competition with unlicensed traders	20	74.07	9	69.23	29	72.50
Truck delay at Addis Ababa	-	-	8	61.53	8	20.00
Lack of government support	23	85.19	9	69.23	32	80.00
Inadequate capital	18	66.67	9	69.23	27	67.50
Inadequate credit service	15	55.56	5	38.46	20	50.00
Market instability	15	55.57	9	69.23	24	60.0
Poor quality coffee	25	92.59	10	76.92	35	87.50
Poor infrastructure	17	62.96	8	61.53	25	62.50
Processing related problems	-	-	2	15.38	2	5.00
Transportation problem	-	-	6	46.15	6	15.00
Tax burden and market fees	6	22.22	7	53.84	13	32.50

Source: own survey result, 2013. Note that the blank space indicates unreported data

Most traders, both coffee collectors and wholesalers (62.5%) reported that they were constrained by infrastructural problems in purchasing and transporting coffee. Many of the roads to the village market in both Woredas are inaccessible especially during rainy season. Human portage and pack animals such as

horses, donkeys, and mules are the most frequently used to transport larger loads. This problem is more shouldered by coffee collectors than wholesalers as it was reported by 63% and 62% of coffee collectors and wholesalers, respectively. Sixty percent of the traders confirmed that farmers reluctance to sell their coffee and

Table 5: Distribution of coffee pulper and hullers by their perception about the problem affecting the operations

Problems	Coffee processors					
	Coffee pulpers		Coffee hullers		Total	
	No	%	No	%	No	%
Shortage of spare parts	1	33.33	2	50	3	42.86
Poor infrastructural facilities	1	33.33	1	25	2	28.57
Inadequate supply of fuel and electric power	3	100	2	50	5	71.43
Tax burden	2	66.67	3	75	5	71.43
Inadequate technical know-how among machine operators	2	66.67	1	25	3	42.86
Market instability	1	33.33	1	25	2	28.57

Source: survey result and own computation, 2013. Note that the number of hullers and pulper are 4 and 3 respectively

market instability were among the problems affecting the supply of coffee. They also respond that farmers were reluctant to sell their coffee due to lack of real price information.

Lack of access to credit was reported by sample traders as another bottleneck in operation and business expansion. Lack of collateral, too lengthy, and complex processes to obtain loan coupled with higher interest rate discouraged loan as reported by 50% of coffee traders. This is significant for coffee collector since they have limited amount of own capital to run coffee collecting operations. As a result the majority of them obtain credit from wholesalers during main coffee transaction period.

Tax burden and market fees were identified as problem by about 32.5% traders. This was due to poor accounting system regarding the actual purchase, sales and marketing costs which led to overestimation in levying tax. Income statement is the crucial information for levying tax by appropriate authority which was poorly managed by traders. This problem was more serious for 53.84% of wholesalers as they are paying higher tax. In fact, now it is somewhat better as all wholesalers were registered under value added tax (VAT) in which it is mandatory to keep every records of business operations. Truck delay at Addis Ababa, overall shortage of supply, transportation and processing were indicated as the major problems by wholesalers.

Major problems of coffee pulper and hullers

The sample coffee pulper and hullers identified seven major problems during the survey year. These includes shortage of spare-parts, poor infrastructural facilities, inadequate supply of fuel and electric power, tax burden, inadequate technical knowhow and price instability (Table 5).

About 71% of coffee processors confirmed that inadequate supply of fuel and electric power as well as

tax burden are the major the bottlenecks in coffee processing. Moreover, 42.86% pointed out that shortage of spare-parts and inadequate technical knowhow of machine operators as the major problems encountered during the processing operation. The rest 28.57% reported poor infrastructural facilities and market instability as other major problems in coffee processing.

CONCLUSION AND RECOMMENDATIONS

The analysis of market structure shows that the volume of coffee traded in the area was concentrated in the hands of few traders who controlled bigger share of the marketing surplus especially at the wholesalers' level. The four firms concentration ratio for wholesalers were 70% and 84.77% for Sheko and South Bench woredas, respectively while the concentration ratio for coffee collectors were 68.8% and 60.33% for both woredas in the same order. This clearly implies that the coffee market in the area is non competitive

Analysis of the degree of market transparency revealed that the majority of coffee producers have poor access to timely and reliable price information. About 85% and 51% of sampled producers do not have reliable information about auction market and local market prices, respectively. This implies that farmers have less market power in negotiating price. Analysis of coffee market entry barriers indicates that shortage of capital, licensing only for specific business activities, and quality of coffee and presence of illegal traders were the major entry barriers into coffee trade for most traders. In the study area, large amount of capital was a pre-requisite for higher operation and significant percentage of traders faced shortage of capital. About 68% of traders reported shortage of capital. Although the current lending policy is better than the previous one, it still constitutes a significant hindrance of entry into coffee trade. As a result, 50% of traders are in need of credit services to expand their business operations.

Regarding the conduct of coffee market, pricing strategy of the traders indicates that 55% of the traders set the purchase price. Purchasing strategy of traders shows that about 68% of traders purchase by themselves and 18% purchase by using brokers. Traders are highly mobile and purchase from different markets. Cheating was very common in coffee marketing, especially by adjusting weighing scale. Regarding selling strategy, 90% of wholesalers reported that they sell coffee to the auction market through their agents at Addis Ababa. However, coffee collectors sell purchased coffee by themselves to wholesalers.

Land scarcity, coffee diseases, lack of pesticides, poor market information, inadequate credit services, poor infrastructure, lack of drying and packing materials, presences of illegal traders, poor quality coffee, lack of government support, inadequate capital, market instability, tax burden, truck delay at the auction market, shortage of spare parts, inadequate supply of fuel and electric power and technical knowhow of machine operators were identified as a major coffee production and marketing constraints in the study areas.

RECOMMENDATIONS

Based on the findings of the study the following suggestions are put forward to improve the performance of coffee marketing system in the study area in particular and the country in general.

1. Since coffee market in the study area was monopolized by few traders, government should attract other traders to enter into coffee trade in order to make the market more competitive.
2. Provision of licensing for integrated activities. The government should abandon the restriction on the areas of operations being imposed on traders. This is to mean that, allowing coffee wholesalers to purchase coffee directly from producers, and also coffee collectors to perform the activities of wholesalers.
3. Improvement of the marketing infrastructure is another area of intervention to improve the performance of coffee marketing in the study area.

4. Encouragement of financial institution supporting coffee trade by minimizing the unnecessary impediments such as higher collateral and long procedures in obtaining credit is essential.

5. There is a need to attract and even force unlicensed traders to have a trading license since they are believed to lift up coffee prices and narrow profit of licensed traders.

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