

Abstract

This study sought to establish the effect of economic determinants on the performance of dairy cooperative societies in Kericho County. Specifically, the study was to determine the performance trends of the societies and the extent to which economic determinants affect performance. The following economic determinants were examined; capital formation, competition, volatility of prices of milk, capacity utilisation, adoption of technology and entrepreneurship. The study adopted descriptive research design, using census of the entire population of 51 respondents comprising 36 members of management committees, 4 managers and 11 employees of 5 active dairy cooperative societies. Both primary and secondary data were collected for the purpose of the study. Primary data was collected using a questionnaire while secondary data was collected in a schedule. Data was analysed using descriptive statistics which included percentages. Data was presented by use of tables and charts. The findings indicated that the performance of dairy cooperative societies in Kericho County was on decline and were affected by economic determinants. Total turnover for three cooperative societies decreased from Kshs 9, 304,000 in 2008 to Kshs 2,970,000 in 2012, showing 68% decline. Average milk prices paid to members decreased from 80% to 64% of alternative channels prices in 2008 and 2012 respectively. Overall, the dominant economic determinant is capital formation which was considered by 85.7% of respondents to affect performance to a high extent; followed by entrepreneurship (67.4%), capacity utilisation (67.3%), adoption of technology (63.3%), and competition (53.1%). 38.8% of the respondents considered volatility of milk prices affected performance to a low extent, 40.8% were neutral and 20.4% believed the effect was to a high extent. This study recommends the transformation of dairy cooperative societies in Kericho County from traditional agricultural producer marketing organisations to New Generation Cooperatives, which while preserving the cooperative principles such as one member one vote on policy issues and distribution of earnings according to patronage, focus on value, added processing activities. It is further recommended that dairy cooperative societies prepare and implement strategic and business plans to promote development, growth and performance in a dynamic economic environment faced with industrialization, globalisation and technological changes affecting business organisations. Further research can be done on social factors that affect performance of dairy cooperative societies in Kericho County.