



**University of Fort Hare**  
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**THE ROLE OF AGRICULTURAL CO-OPERATIVES IN FOOD SECURITY IN THE EASTERN  
CAPE, PROVINCE OF SOUTH AFRICA: THE CASE OF THE NKONKOBÉ LOCAL  
MUNICIPALITY.**

**BY**

**NCUMISA DYALVANE**

**(200803481)**

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**SUPERVISOR: DR P.B MONYAI**

## TABLE OF CONTENTS

LIST OF TABLES .....	III
ABSTRACT.....	IV
DECLARATION .....	VI
ACKNOWLEDGMENTS.....	VII
DEDICATION .....	IX
LIST OF ACRONYMS .....	X
CHAPTER 1:BACKGROUND AND OVERVIEW OF THE STUDY .....	1
1.1 INTRODUCTION .....	1
1.2 PROBLEM STATEMENT .....	5
1.3 RESEARCH OBJECTIVES .....	7
1.4 SIGNIFICANCE OF THE STUDY.....	7
1.5. DELIMITATION OF THE STUDY .....	8
CHAPTER 2:LITERATURE REVIEW ON AGRICULTURAL CO-OPERATIVES AND FOOD SECURITY: CONCEPTUAL AND THEORETICAL OVERVIEW .....	10
2.1 INTRODUCTION .....	10
2.2 DEFINITION OF CONCEPTS.....	12
2.3 POTENTIAL OF AGRICULTURAL CO-OPERATIVES IN AFRICA .....	13
2.4 CO-OPERATIVES IN BRAZIL .....	14
2.5 CO-OPERATIVES IN TANZANIA .....	15
2.6 SAVINGS AND CREDIT CO-OPERATIVES SOCIETIES (SACCOS) IN TANZANIA .....	16
2.7 CO-OPERATIVES IN KENYA.....	17
2.7.1 <i>The significance of co-operatives in Kenya's economy</i> .....	20
2.7.2 <i>Co-operative development policy in Kenya</i> .....	20
2.7.3 <i>The Kenyan co-operative legislation</i> .....	22
2.8 THE HISTORY OF CO-OPERATIVES IN EUROPE .....	22
2.8.1 <i>The Role of co-operatives in Europe</i> .....	32
2.9 THE INTERNATIONAL CO-OPERATIVES ALLIANCE (ICA).....	48
2.9.1 <i>The Principles of co-operatives outlined by ICA</i> .....	55
2.9.2 <i>The potential role of agricultural co-operatives and possible impacts</i> .....	57
2.10 <i>The Basic Needs Approach (BNA)</i> .....	63
2.11 <i>Sustainable livelihood approach (SLA)</i> .....	66
2.11.1 <i>Principles of the Sustainable Livelihoods Approach</i> .....	69
2.12 <i>Conclusion</i> .....	75
CHAPTER 3: THE CO-OPS STRATEGY 2004 AND CO-OPERATIVES IN SA.....	77
3.1 INTRODUCTION .....	77
3.2 AGRICULTURAL ACT OF 1947 .....	77
3.3 THE 2004 CO-OPERATIVE STRATEGY .....	78
3.4 OBJECTIVES OF THE 2004 CO-OPERATIVE STRATEGY .....	80
3.5 THE HISTORY OF AGRICULTURAL CO-OPERATIVES IN SOUTH AFRICA .....	82
3.6 A DESCRIPTION OF THE STUDY AREA.....	90
3.7 CONCLUSION .....	93
CHAPTER 4: METHODOLOGY OF THE STUDY .....	95

4.1	INTRODUCTION .....	95
4.2	RESEARCH METHODOLOGY .....	95
4.3	A CASE STUDY RESEARCH DESIGN .....	98
4.4	POPULATION AND SAMPLING .....	98
4.5	DATA COLLECTION AND INSTRUMENTS .....	100
4.5.1	<i>Focus group discussion</i> .....	102
4.5.2	<i>Secondary sources of data</i> .....	104
4.6	DATA ANALYSIS.....	104
4.7	METHODOLOGICAL CHALLENGES .....	106
4.8.	ETHICAL CONSIDERATIONS .....	107
<b>CHAPTER 5: DATA PRESENTATION, ANALYSIS AND FINDINGS/CONCLUSIONS .....</b>		<b>109</b>
5.1	INTRODUCTION .....	109
5.3	CHALLENGES ENCOUNTERED BY AGRICULTURAL CO-OPERATIVES IN PROMOTING FOOD SECURITY IN THE NKONKOBÉ MUNICIPALITY .....	113
5.4	POOR MARKET.....	114
5.5	TRANSPORT PROBLEMS.....	115
5.6	SHORTAGE OF FARMING EQUIPMENT.....	117
5.7	INSUFFICIENT WATER SUPPLY .....	118
5.8	INADEQUATE FUNDS .....	120
5.9	LACK OF ADEQUATE FARMING LAND .....	121
5.10	CONCLUSION.....	122
<b>CHAPTER 6: CONCLUSION AND WAY FORWARD .....</b>		<b>124</b>
6.1	CONCLUSION.....	124
6.2	WAY FORWARD .....	126
6.3	AREAS FOR FURTHER RESEARCH .....	130
<b>REFERENCES.....</b>		<b>132</b>
<b>APPENDICES - INTERVIEW GUIDE .....</b>		<b>151</b>

## LIST OF TABLES

Table 4-1 Number of focus group discussions respondent.....	102
Table 4-2: The total number of co-operatives, respondents, their gender and age....	103
Table 5-1: Themes derived on causes of food security in the Nkonkobe Local Municipality.....	111

## **ABSTRACT**

This study highlights the contribution of agricultural co-operatives in promoting food security in the Nkonkobe Local Municipality in the Eastern Cape Province of South Africa. Although the dawn of democracy saw the government making efforts to address food insecurity and provide solutions to the challenges related to it a lot remains to be done. As a result, food insecurity remains a fundamental concern in South Africa in particular among villagers in the Nkonkobe Local Municipality. Consequently, the study focuses on the state of Agricultural Co-operatives in the Nkonkobe Municipality and their role in food security. Therefore, this dissertation therefore discusses problems plaguing Agricultural Co-operatives in Nkonkobe.

During the apartheid era black people were deprived of land and this contributed to food insecurity since the apartheid government marginalized black productivity in agriculture. Against this background the main focus of the study is to assess the effectiveness of agricultural co-operatives in alleviating poverty in the Eastern Cape Province. The specific objectives are to examine the prospects and constraints faced by the agricultural co-operatives in the Nkonkobe Local Municipality and to analyse the extent to which they contribute to food security in the Nkonkobe Local Municipality. The research adopted the qualitative research methodology.

The qualitative methodology was used because it seeks to dig out in-depth information so as to understand the causes of food insecurity despite agricultural co-operatives and government assistance being in place. The food security situation was analysed using

the sustainable livelihoods and basic needs approaches. The findings of the study reveal that agricultural co-operatives face a number of challenges. These include inadequate funds, poor market places, transport problems, shortage of farming equipment and insufficient water supply. In addition, the ability of agricultural co-operatives to make a worthy contribution to food security is being adversely hindered by poor implementation capacity and financial management. This in turn makes them unable to strengthen and expand their business operations.

The study suggests that the government or the municipality should build sustainable water sources like dams as well as provide taps in the community to boost productivity all year round in the agricultural cooperatives hence guaranteeing food security in Nkonkobe Local Municipality, the Eastern Cape and South Africa at large.

## **DECLARATION**

I, Ncumisa Dyalvane, do hereby declare that this dissertation is a product of my original work that was built from literature that has been carefully acknowledged as required by the university's plagiarism policy. The work has not been submitted elsewhere for the purpose of obtaining another degree.

Signature.....

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## **DEDICATION**

This dissertation is dedicated to my family, more especially my little one (Achumile Dyalvane) for their love, support and inspiration.

## LIST OF ACRONYMS

AOS	Agricultural Organisation Society
ACA	Agricultural Co-operative Association
ACCA	Agricultural Central Co-operative Association
AHCS	Agricultural and Horticulture Cooperation Scheme
ARDR I	Agricultural and Rural Development Research Institute
BNA	Basic Need Approach
CBD	Co-operative Development Board
CCAHC	Central Council for Agricultural and Horticulture Co-operative
DAFF	Department of Agriculture, Forestry and Fisheries
DTI	Department of Trade and Industry
EAGGF	European Agricultural Guidance Guaranteed Fund
EC	Eastern Cape
EEC	European Economic Community
EPWP	Expanded Public Works Programme
FAC	Federation of Agricultural Co-operative
FAO	Food and Agriculture Organisation
FCC	Farmers Central Organisation
FDB	Food Development Britain
FS	Food Security
GDP	Gross Development Plan
GHS	General Household Survey
GNU	Government of National Unity

HS	Households Survey
HSRC	Human Science Research Council
ICA	International Co-operative Alliance
IFSS	Integrated Food Security Strategy
ILO	International Labour Organisation
NCBA	National Co-operative Business Association
NCFC	National Council of Farmer Co-operatives
NCP	National Co-operative Policy
NDA	National Development Agency
NEDLAC	National Economic Development and Labour Council
NFU	National Farmers Union
NG	National Governments
RDP	Reconstruction and Development Programme
SA	South Africa
SASCO	Savings and Credit Co-operatives Societies
SLA	Sustainable Livelihood Approach
SSA	Statistics South Africa
UNDP	United Nations Development Programme
WFC	World Food Conference
WB	World Bank

# **Chapter 1:Background and Overview of the Study**

## **1.1 Introduction**

Globally, national governments, international development agencies and policy makers in the field of agriculture see co-operatives as an important tool for enhancing food security and as a significant tool for the development of the human well-being (Technical Centre for Agricultural and Rural Cooperation, 2008:74). As a result co-operatives have become key in development projects and goals that are aimed at alleviating poverty. More specifically, agricultural co-operatives play an important role in food production, distribution and in supporting long-term food security. Co-operatives can create productive employment, raise income and help to reduce poverty. Some agricultural co-operatives improve farm productivity by obtaining inputs at low cost, encouraging sustainable farming techniques and developing members' management and organisational skills (Technical Centre for Agricultural and Rural Cooperation, 2008:76).

Statistics South Africa (StatsSA, 2003: 34) has shown that food insecurity is not an exceptional, or a “short-term event” but is rather a continuous threat for more than a third of the population (Ndlovu 2013: 8). The contributing factor to this situation might be that the vast majority of South Africans buy their staple food from commercial suppliers, rather than grow it themselves and are therefore dependent on having direct or indirect access to cash (Ndlovu, 2013:8). Hendrick (2012:86) propounds that food insecurity is no longer seen as a failure of food production at national level but as a livelihood failure of food production at the national level as evidenced by the inclusion of food security a

one outcome of sustainable livelihoods (Department of international Development cited in Manyama *et al* ,2012:2) .

Possible shocks and stresses to household food security in South Africa are likely to impact negatively on a large proportion of households already facing vulnerability to food insecurity, increasing hunger and malnutrition. For most of the households, inadequate and unstable food supplies, lack of purchasing power, weak institutional support networks, poor nutrition, inadequate safety nets, weak food emergency management systems and unemployment are some of the ways in which households get trapped in a cycle of food insecurity and poverty (Manyama *et al*, 2012:7). Aliber (2001) as cited in Manyama *et al* (2012:7) states that, “groups most vulnerable to food insecurity in South Africa are the rural poor, female headed households, disabled, elderly, retrenched or evicted farm workers, AIDS orphans and households with HIV sufferers, cross border migrants and the homeless”.

Co-operatives are solidarity organisations and are defined as ‘ a non-profit organization comprising persons with objectives of collectively achieving a goal whereby each member has a vote in the selection of management and proportional in benefits occurring from the association’s activities” (Centner, 1998: 96). The International Cooperative Alliance defines cooperatives “as an autonomous association of persons united voluntarily to meet their common economic, social, cultural need and aspirations through a jointly owned and democratically controlled enterprise” (Ortman and King, 2007:19). On the same note, agricultural cooperatives also promote economic

production and help in food production and rural development. Smallholder farmers are able to increase their productivity and income by collectively negotiating better prices for needs like fertilizer, seeds, transport and storage through cooperatives. They can also help farmers expand access to markets and capture more of the value chain, for example by getting involved in value adding or agro-processing activities (Department of Agriculture, Forestry and Fisheries, 2012: 9).

Agricultural co-operatives facilitate the availability of transport which can provide access to the market, provide effective means of communication, and offer training and conduct workshops (Meyer *et al.*, 2009:56). All these enable the cooperatives to get their goods and services to the market in a secure and timely manner. This means that service delivery and technology transfer done by the cooperatives reduces poverty and increases agricultural production (Li and Liu, 2009: 48).

According to Fredrick *et al.*, (2008: 56), cooperatives, mainly in the agricultural sector, have long been recognised to play an important role in society that translates into the improvement of living conditions of their members. Being voluntary, democratic and self-controlled business associations, cooperatives offer the institutional framework through which local communities gain control over productive activities from which they derive their livelihoods (Stefanson and Fulton, 1997: 24). In the agricultural sector, cooperatives contribute to food production and distribution and in supporting long-term food security.

Co-operatives also help in tackling rural poverty by increasing the productivity and income of smallholder farmers thereby helping them to collectively negotiate better prices for seeds, fertilizer, transport and storage. They further help farmers expand market access and capture more of the value chain by getting involved in agro-processing activities (Li and Liu, 2009: 66). In South Africa, during the apartheid era the co-operative sector started with the establishment of the predominantly white agricultural co-operatives, aimed at developing and building the white farming communities (Li and Liu, 2009).

Verena, and Bijman (2014: 176) noted that, while the co-operatives that the apartheid government built were flawed in many ways and were racially discriminatory, they nevertheless illustrated the crucial role co-operatives can play in reducing costs and risk for farmers, in mobilizing economies of scale and in promoting market access. These co-operatives eventually developed into powerful business ventures, which controlled agricultural production, marketing and processing in rural areas (Chimbendah, 1981:18).

According to Fredrick *et al* (2008: 124), South Africa faces a wide spectrum of food security challenges conceptually ranging from national-level to household issues. At the national level, the challenges undermining South Africa's ability to achieve food security are inadequate safety nets and weak disaster management systems. These challenges have implications for vulnerable households, in addition to a range of other household level challenges. Stats SA (2012) indicates that despite the large decline in the



vulnerability to hunger of South African households over the past decade up to 2011, a large percentage of households (23.8%) continue to experience difficulty in accessing food.

There are 106 cooperatives in the Eastern Cape and 51 of these cooperatives are undertaking crop production (Department of agriculture, forestry and fisheries 2010/11:12). The greatest number of cooperatives is involved in mixed farming which illustrates the lack of assistance and advice to smallholder farmers by the government to venture into specialized agricultural venture. It is also argued that the lack of access to reliable markets by the agricultural cooperatives is the main reason why most cooperatives focus on mixed farming. One of the key factors that are hindering progress in the agricultural cooperatives in the Eastern is the lack of capacity building. According to the Baseline study conducted by the Department of Trade and Industry in 2009, lack of business and technical skills in agricultural cooperatives are some of the chief causes of underperformance or failures. Majority of the agricultural cooperative members are elderly people who in most cases have little or no education at all. "The bulk of cooperative managers are those with at least secondary education viz. between Grade 8 and Grade 12". The lack of opportunities to agro- processing and access to markets is also one of the limiting factors. The cooperatives are able to secure viable markets due to small volumes and poor quality of produce (Department of agriculture, forestry and fisheries 2010/11:14).

## **1.2 Problem Statement**

While positive strides have been made in transforming the state of food security in South Africa, the country still faces a lot of challenges especially at community level.

The major problem of this study rests on the fact that despite the government interventions in agricultural co-operatives, most of the villagers cannot afford adequate food in their households and the food insecurity phenomenon is still continuing. Key among the affected are villages in the Nkonkobe Local Municipality in the Eastern Cape Province of South Africa. The government's assistance to agricultural co-operatives is missing the point in that it does not cover all the required resources by village farmers. Most of the village farmers in Nkonkobe municipality lack adequate funds, proper marketing places, transport, sufficient skills and infrastructure to carry out their agricultural activities effectively.

The majority of the farmers depend on rain-fed agriculture which is not sustainable since they have to wait for the rain season to carry out their farming activities. This situation results in the increase of food shortages in households. As the inadequacy of State support continues to jeopardize even household livelihoods, most of the people cannot afford three meals a day. This violates the right of the people to basic needs and sustainable measures to enhance adequate food. The Nkonkobe Municipality is one of the impoverished regions in South Africa and poverty in this province is linked directly to the historical economic neglect and discrimination (Stats SA, 2003a). Poverty in this area is a rural phenomenon and cooperatives were put in place to promote food security. These cooperatives are expected to play a fundamental role in reducing poverty. Therefore, the major question for this study is whether the assistance that is being given to agricultural co-operatives is adequate for them to achieve food security?

### **1.3 Research Objectives**

The major objective of this study is to assess the effectiveness of agricultural co-operatives in enhancing food security in the Eastern Cape Province of South Africa. The specific objectives are to:

- Examine the prospects and constraints faced by the agricultural co-operatives in the Nkonkobe Local Municipality;
- Analyse the extent to which the agricultural co-operatives contribute to household livelihoods in the Nkonkobe Local Municipality;
- Identify a more comprehensive agricultural co-operative framework so as to enhance food security in the Nkonkobe Local Municipality.

### **1.4 Significance of the Study**

The study will contribute to knowledge and policy development in the field of Development Studies. It provides insight and adds to the debates on the role of agricultural co-operatives in ensuring food security in the Eastern Cape Province with specific reference to the Nkonkobe Municipality. It will also improve our understanding of what happens when the State inadequately meets citizens' needs. The study will also explain in detail the role played by co-operatives in alleviating poverty through promoting food security. In South Africa and many other developing countries, food security is a concern among poor households, particularly in the rural areas. Although South Africa is considered to food self-sufficient, a significant number of households may be considered to be poor and therefore, food insecure (Kuzwayo, 1997: 3).

The study will therefore bring new insights that add to existing empirical studies on the role of co-operatives in promoting food security. Furthermore, the study will be of benefit to government officers, co-operatives and researchers who are involved in the debates and work on food security. Many researches on food security in Eastern Cape mainly focus on the Expanded Public Work Programs (EPWP) and Reconstruction and Development Programme (RDP) among others. However this study took a different step by paying attention to the Agricultural co-operatives in Nkonkobe Municipality with specific reference to the ones in Alice.

### **1.5. Delimitation of the study**

The study focused on sustainable livelihoods approach as is there is need for sustainable agricultural cooperatives. Hence, there is need to borrow elements of Sustainable Livelihood Approach (SLA) so as to empower agricultural cooperatives and thus achieve the goals of food security. In addition, the study focused on the constraints experienced by horticultural cooperatives members in Nkonkobe Local Municipality, the support from government and extension officers as well as the role they play. All in all the study is conceptually limited to food security and poverty in the Eastern Cape Province of South Africa.

### **1.6 Conclusion**

Agricultural co-operatives have become an internationally recognized intervention in both developed and developing countries for regeneration and diversification of rural economies. Co-operatives are, therefore, increasingly becoming the preferred mechanism for mediating people's access to resources that they utilize to participate in activities through which a living is earned. It is in this regard that co-operatives are

significantly contributing to poverty reduction in Africa. The study is organized into six chapters. Chapter 1 is the introductory chapter and consists of the background to the study, problem statement, research objectives, significance and delimitation of the study. Chapter 2 covers the literature review on Agricultural Cooperatives and focuses on the theoretical and conceptual framework of this study. Chapter 3 takes a closer look at the empirical view of the study. Chapter 4 discusses the research methodology that was employed to achieve the objectives raised in methods and research design that was used to address the problem; it gives an elaboration of the research procedures and techniques employed by the study as well as ethical issues that were taken into consideration throughout the study. Chapter 5 focuses on the various methods of collecting and analysing data adopted by the study and also provides an insight on the reasons for choosing and using the selected research methods. Chapter 6 will offer a conclusion to the study and provide a way forward based on the research questions. The chapter will also highlight key suggestions and recommendations made by the study to Nkonkobe Local Municipality.

## **Chapter 2:Literature Review on Agricultural Co-operatives and Food security: Conceptual and Theoretical Overview**

### **2.1 Introduction**

This chapter discusses the main concepts in this study on agricultural co-operatives and food security issues. The study deals with theories and concepts that underpin the study. The theoretical issues are the Sustainable Livelihoods approach (SLA) and the Basic Needs Approach (BNA). This chapter begins with the conceptualisation of agricultural co-operatives, agriculture and food security. The chapter also discusses the origins, principles, strengths and as well as shortcomings BNA and SLA.

This research adopted the SLA as the main theory that underpins the study. The major reason why the sustainable livelihoods approach was adopted is that it helps inform policy makers on how to approach sustainability and how they can effectively use sustainable paradigms as an effective tool for enhancing food security in agricultural co-operatives (Reisch *et al* 2013: 26). This will in turn reduce the rate of poverty among the vulnerable. The sustainable livelihoods approach provides a crucial understanding of agriculture as an important basis for the sustainability of food security intervention. This theory has been used to understand the reasons behind the challenges facing agricultural co-operatives in the Nkonkobe Local Municipality villages.

In many sectors around the world, co-operatives are expected to contribute in a significant way to creating new jobs and maintain old ones and thus securing family incomes. Agricultural co-operatives can enable farmers to pool limited resources together for the members' benefits. Agricultural-based co-operatives account for a

significant part of agricultural production in Africa and promote an exchange economy by helping develop markets in remote rural areas (Wanyama *et al.*, 2008:4). Agricultural co-operatives are formed with the idea of addressing challenges and problems of agriculture and improving farmers' livelihoods. Numerous literature has been written concerning the significant contribution made by co-operatives to developing countries. The purpose of this chapter is to examine the literature that is relevant to the study. It will also delve on discussing the theoretical framework underpinning the study. The key concepts underpinning the study are clarified and articulated below.

Dunn *et al.*, (2002), state that there are some principles used to define the essence of a co-operative enterprise and the framework for assessing co-operative actions. The International Labour Organisation (ILO) (2009:8) recognises seven principles that co-operatives subscribe to which include: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives and concern for community (Dunn *et al.*, 2002:80). Co-operatives believe in democratic control by their members who participate actively in setting policies and making decisions. The men and women who serve as elected representatives are accountable to the other members because all co-operative members have equal voting rights. (Dunn *et al.*, 2002).

## **2.2 Definition of Concepts**

The concept of agricultural co-operatives originated from the developed world as a tool for enhancing food security. Agricultural co-operatives are experiencing increased popularity as a tool for development in developing and developed countries. This has led to a debate among scholars on the definitions of co-operatives. Meyer (1999:6) defines a co-operative as, "a business organisation that is owned and controlled by the people who use its products, supplies or services".

The Food and Agriculture Organisation (FAO, 1998:36) defines co-operatives as, "autonomous, self-help and independent organisations owned and controlled by their members who can also enter into agreements with other organisations, including governments to raise capital from external sources through their democratic control for the purpose of carrying out economic activities". For Birchall (1996:71) co-operatives are "autonomous associations of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise". In the same vein, the International Co-operative Alliance (ICA) (ILO, 2009) sees a co-operative as "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise".

According to Maxwell (2001), the concept of food security has been in the public eye for a long time, but began to make a serious impact on the development debate in the 1970's, during the first World Food Conference (WFC) held in Rome in 1974. The



history of thinking about food security since the WFC in 1974 can be conceptualized as consisting of important and overlapping paradigm shifts (Maxwell, 2001).

Food security refers to the reliability of access to enough food, or the ability of household food systems to resist crises threatening to lower the achieved level of food consumption (Diriba 1999:6). Since 1970, the notion of risk has been central to the definition of food security. Household food security is threatened when the risk of food shortages in the event of crop failure, natural and other disasters, such as fluctuations in production prices is high. Drought, for example, affects the capacity of a household to turn productive assets into a command over food. But that risk is lessened in households that have access to alternative resources. For example, access to irrigation facilities will lessen the risk of drought. Thus the risk profile of individual households is determined by the assets available to them as buffers (Monde, 2003:45). This study will employ Meyer's (1999:6) definition of cooperatives because it best resembles the cooperatives under study.

### **2.3 Potential of Agricultural Co-operatives in Africa**

Ortman *et al* (2006) argue that agricultural co-operatives were established in Africa with the aim to create the ability for the supply of required agricultural inputs so that production of commodities is done timely to enhance productivity. It was during the 1970's and 1980's when agricultural cooperatives were introduced on a large scale basis. Membership was compulsory and agricultural cooperatives were associated with declining agricultural output per capita. According to Sifa (2012:1), when farmers were permitted to join or exit cooperatives at their own will in Ethiopia in the early 1990's,

yields rose but membership in the agricultural cooperatives drastically fell. Some success stories have been documented in Africa for example coffee production in Ethiopia, cotton in Mali and dairy in Kenya (Wanyama 2008 as cited in Sifa 2012:1).

Historically, the most popular agricultural cooperative in Africa has been the marketing of agricultural products from small holder farmers. Since the 1970's most of the African governments, in their efforts to enhance food security and stimulate growth, have been on an overdrive to promote viable agricultural cooperatives that focuses on the supply of inputs, joint production and marketing of agricultural products. Sifa (2012:2) noted that, "Unfortunately, to date, no African country has achieved a sustained and large scale increase in staple crop yields as a result of cooperative action and many cooperative development programs have failed to achieve their objectives or have even been counterproductive". Some engendering factors for the failure of agricultural cooperatives in most countries have been listed among others as lack of funding, technical skills and unstable economic environments (Wanyama 2008). This clearly shows that African governments are still a far cry from achieving viable and productive cooperatives so as resolve the food security crisis that is gripping most parts of the continent.

## **2.4 Co-operatives in Brazil**

In Brazil the co-operatives movement began in 1847 with the formation of the co-operative 'Teresa Cristina' in Parana by Jean Maurine Faibre a medical doctor of French origin. The first consumer co-operative in Brazil was founded in 1889 and was known as 'Sociedade Co-operative Economica dos Funcionarios Publicos de Ouro

Preto (Jascha, 2013: 8). The first legislation regulating co-operatives in Brazil was enacted in 1980 and primarily applied to consumer co-operatives for military personnel and their families from 1906.

Agricultural co-operatives began spreading throughout rural areas of Brazil driven predominantly by Italian and German immigrants who brought their expertise from their home countries in 1925, co-operatives evolved into federations and the movement enjoyed its first boom during the global economic crises that followed the Great Depression in 1929. From 1945 the Brazilian government offered co-operatives a number of material and fiscal incentives (Jascha, 2013: 2-3).

## **2.5 Co-operatives in Tanzania**

According to Hans and Hedlund (1988), agricultural co-operatives in Tanzania form an important part of the Government's overall development strategy, including the achievement of social objectives. The co-operatives have always been a beneficiary of an economic assistance from the government. Co-operatives in Tanzania were established for the promotion of agricultural policy. The important task has been to encourage production and this means they have acted as a supervisor of the state's agricultural policy (Hedlund and Hans, 1998).

According to Kimario (1992), co-operatives in Tanzania emerged as one of the rural development institutions. Their main agenda since their formation is to alleviate widespread poverty among smallholder farmers in rural areas of Tanzania. Formally,

the colonial regimes supported the formation of agricultural co-operatives mainly for cash crops such as coffee, tobacco and cotton. However the post-colonial government took a different stance when it recognized that co-operatives are a vehicle to poverty alleviation in Tanzania. The government regarded agricultural co-operatives as a vital movement that could help harnesses the benefits of development to a widespread segment of the Tanzanian population (Kimario, 1992).

This could be achieved through combining the efforts of the farming community as well as the workers to feed, house, clothe, and educate them together with their children and basically improve their economic and social lives. More so, co-operatives are expected to play an important role in the country's production thereby reducing external dominance (Hedlund and Hans, 1998)

## **2.6 Savings and Credit Co-operatives Societies (SACCOS) in Tanzania**

According to Magali (2013:56), the Tanzanian Government saw co-operatives helping more than 73% (seventy three percent) of its population in rural areas and established credit co-operative societies that could help fund agricultural co-operatives. Previously, Tanzanian co-operatives had been functioning under socialist policies, with a government controlled economy up to mid-1980s. The foundation of Savings and Credit Co-operatives Societies (SACCOS) in Tanzania was authorized by the State since 1980s as a mechanism of promoting access to financial services for poor rural people who are not assisted by formal financial institutions (Triodos Facet, 2011).

The number of registered members was gradually increasing until March 2013, when the number of registered SACCOS in Tanzania was 5559 while members, members' funds (shares and savings) and loans were 970665 people, 399.01 and 627.2 billion shillings respectively (MOFT, 2012; 2013).

The formation of the SACCOS rendered significant contribution to the rural borrowers in terms of addressing their financial problems. (Wangwe, 2004; Bibi, 2006). Maghimbi (2010) and Bibi (2006) put forward that the majority of rural SACCOS in Tanzania have got a problem of weak internal control systems and high non-performing loans because of ineffective loans management. However some of the SACCOS such as those in Kongwa district and Dodoma region are found having loan overdue that result from mismanagement of loans.

## **2.7 Co-operatives in Kenya**

According to Hussi *et al* (1993); Porvali (1993) and Lindberg (1993) development of co-operatives in Kenya, like in most African countries, was generally characterised by two main distinctive epochs, namely, the era of state control and that of liberalisation. The first era, which saw the origin and substantial growth of co-operatives under State control, sanctioned these co-operatives to begin as reliant on agents and or clients of the government and other semi-public agencies (Hussi *et al* ,1993)

By functioning and serving as instruments for implementing government socio-economic policies, co-operatives were engulfed into State politics to the extent that the failures of

State policies found an expression in the co-operative movement. This partially elucidates why literature on co-operatives in this period is over provided with more stories of co-operative failure than stories of co-operative success. Such failures contributed to calls for the liberalisation of the co-operative movement in the early 1990s (Hussi *et al*, 1993; Porvali, 1993; Lindberg, 1993).

In Kenya the history of co-operatives is tied closely to the aims of the government's rural development policy. The promotional efforts of government started soon after Kenya's independence in 1963 with an overall aim to use co-operatives as a tool to facilitate commercialisation of Kenya's small holder farm sector. Government was given wide-ranging powers in organising the delivery of the necessary service. By the late 1990s, government had largely achieved this end. Agricultural co-operatives in Kenya play a major role in organising the production, progress and marketing of crop and livestock commodities. In addition, these agricultural co-operatives also play a critical role in the provision of savings and credit services in the country (Wanyama, 2009: 80).

With the assertion that government control was hindering the performance of agricultural co-operatives and that their possible contribution to economic development could only be recognised if they functioned in line with the market principles, the development of co-operatives was driven to the second epoch that was characterised by economic liberalisation (Lindberg, 1993). Following the new economic atmosphere that was dominant across Africa in the 1990s, Kenya presented new legislation and policy in 1997 in an attempt to liberalise all co-operatives (Lindberg, 1993).

The resultant structure aimed to expedite the expansion and development of commercially independent, member-based co-operative organizations, which would be fairly and professionally managed, self-controlled and self-contained business enterprises (Hussi *et al*, 1993; Porvali, 1993; Lindberg, 1993). While the development of co-operative development in Kenya during the first era is well documented in the current literature, the second era of co-operative development is yet to be effectively researched and understood (Evans, 2002). In addition, it's been long since the establishment of liberalisation procedures in Kenya, yet since then much is not known about the unfolding position of the agricultural co-operative programme. Available studies and researches tend to give more attention on dissimilar economic sectors of the co-operative programme, rather than providing comprehensive accounts that inform of the current status and functioning of co-operatives (ICA, 2002).

To date studies have focused on savings and credit (Evans, 2002); agriculture (ICA, 2002); and dairy production (Staal *et al*, 1997; Owango *et al*, 1998). Considering these circumstances, a number of questions can be asked why they have not been considered since the late 1990s. For example, have co-operatives survived the stiff competition of the liberalised market or have they withered away? What has been the organisational response of co-operatives to the new economic environment into which they were suddenly plunged? Are co-operatives faring comparatively better or worse than they did in the first era of co-operative development? (ICA, 2002).

### **2.7.1 The significance of co-operatives in Kenya's economy**

According to the (Republic of Kenya, 2008a: 13), Kenya has got a long history of co-operative development characterised by strong growth, thus making a significant contribution to the overall economy. More so co-operatives in Kenya are recognised by the state as the major contributor to national development, as co-operatives are found in almost all sectors of the economy. With an approximate total of 37.7 million in Kenya, it is projected that virtually 63 per cent of the population partake directly or indirectly in co-operative-based enterprises (Ministry of Cooperative Development & Marketing, 2008: 4). Certainly, the Ministry of Co-operative Development and Marketing projects that 80 per cent of the Kenyan population obtain their income either directly or indirectly through co-operative activities. Empirical evidence has also shown that agricultural co-operatives play a fundamental role in the Kenyan economy.

In the Kenyan agricultural sector, co-operatives formerly handled over 72% of coffee sales, 95% of cotton sales, 76% of dairy produce sales, and 90% of pyrethrum sales. However, with the exclusion of dairy and coffee co-operatives other agricultural co-operatives have seen their markets falling below 40%, with cotton co-operatives recording a paltry 2% of the marketed bales of lint in 2008 (Republic of Kenya, 2008a: 13).

### **2.7.2 Co-operative development policy in Kenya**

Paper No. 6 of 1997 on Co-operatives in a Liberalised Economic Environment” (Republic of Kenya, 1997a) offers the present policy framework on the development of



co-operatives in Kenya. The policy framework was put in place after the liberalisation of the economy, which spearheaded the seizure of government control over the co-operative programmes. The motive behind the policy framework was to make co-operatives independent, autonomous, self-controlled and commercially viable institutions.

The role of the government was redefined from one that sought to control co-operative development, to one that now seeks to regulate and facilitate their self-sufficiency. In addition, the monopolistic state control in the agricultural sector was removed and it had the sole marketers of cash crops in Kenya. The outcome of this movement meant that co-operatives now had to compete with other private enterprises in the marketing of agricultural produce (Republic of Kenya, 1997a).

The coming of this policy framework also saw the International Cooperative Alliance's (ICA) co-operative principles of voluntary and open membership; democratic member control; member-economic participation; autonomy and independence; education, training and information; cooperation among co-operatives; and concern for community became formally incorporated in the co-operative policy. In one's view, the co-operative development model that Kenya adopted is the one that impedes much of government intervention. However the government is there to make efforts to foster strong partnerships with the co-operatives movement (Republic of Kenya, 1997a).

### **2.7.3 The Kenyan co-operative legislation**

The Cooperative Societies (Amendment) Act of 2004 (Republic of Kenya, 2004a) is the present policy framework that regulates the formation and management of co-operatives in Kenya. The legislation has its origins in the Cooperative Societies Act, Cap. 490 of 1966, revised in 1997 into the Cooperative Societies Act Chapter 12 of 1997 (Republic of Kenya, 1997b). The reforms provided by the revised Act aimed at mitigating the strict State intervention in the co-operatives, in order to buttress the liberalisation of co-operative enterprises. The 1997 Act stated that the empowered members should be accountable for the operation of their own co-operatives, through designated management committees (NEDLAC Study Tour Report, 2004).

The report also alluded that the co-operatives had not been prepared for this freedom. For the first time ever, the co-operatives were left without a regulatory mechanism to play the role that the government had previously played. Consequently, the immediate impact of liberalisation on co-operatives was principally negative. To the detriment of many primary co-operatives, the newly acquired freedom was dangerously abused by elected leaders (NEDLAC Study Tour Report, 2004).

## **2.8 The History of co-operatives in Europe**

The modern co-operative model originated in Europe and spread to other industrialising countries during the late 19th century as a self-help method to counter extreme conditions of poverty (Hoyt, 1989). However, one development that probably had the greatest singular impact on determining agricultural co-operatives' unique operating

principles was the formation in 1844 of the Rochdale Society of Equitable Pioneers, Ltd (Hoyt, 1989). This was a consumer co-operative established in Rochdale, England, by a group of workers representing various trades who formulated a set of basic operating rules based on a two-year study of co-operatives, including some that were not successful (Birchall, 2005).

The co-operative's objectives were to address members' needs for better housing, employment, food, education and other social requirements. Another important development regarding co-operatives serving as credit or banking institutions was the establishment of the first savings and credit co-operative in 1864 by Friedrich Wilhelm Raiffeisen in Germany (Hart, 1995). The objective of the Raiffeisen Bank was to provide savings and credit services in urban and rural areas based on the idea of "self-help". Raiffeisen is generally given credit for developing the rules that govern present-day credit unions (Ingalsbe and Groves, 1989).

The development of co-operatives over time has been shaped by many factors and influences. Ingalsbe and Groves (1989) group these factors and influence into three main types (all interrelated): (1) economic conditions (caused by war, depression, technology, government economic policy, etc.); (2) farmer organizations (including quality of their leadership, their motivation and enthusiasm to promote co-operatives, power to influence public policy, etc.); and (3) public policy (as determined by government interest, legislative initiative, and judicial interpretation, (Groves, 1989). Since about 1988 two phenomena have been occurring in the organization of

agricultural co-operatives: (1) the restructuring and consolidation of conventional co-operatives and (2) the emergence of new generation co-operatives (NGCs) (Cook, 1995). NGCs retain many of the characteristics of conventional co-operatives, but they focus on value-added activities. Member capital contributions are linked to product delivery (marketing) rights which attain value and can be transferred, and membership is closed or restricted (Cook, 1995).

These developments suggest that co-operative strategies are becoming more offensive in nature. Cropp (2002) contends that co-operatives have matured to become a significant force in agriculture, and play an increasing role in influencing national agricultural policies. Co-operatives were often created by refugee communities and were instrumental in allowing them to re-create their own forms of social and economic organisation while remaining detached from local populations and systems of government. Prime examples include the agricultural cooperatives in the 1930s by Mennonites from northern Europe (Marcela, 2010:6).

Similar histories apply to the immigrant colonies of Japanese, Italian, and Germans in Brazil, whose contributions to the development of the agricultural economy of southern Brazil are widely acknowledged (Marcela, 2010:6). Early initiatives followed top-down development models and concerns over inequality, widespread poverty and social unrest throughout Brazil resulted in the promotion of production co-operatives in more marginal rural areas. Emphasis was placed on the need to create economies of scale

through the pooling of resources and labor, expansion of credit opportunities and a more equitable distribution of benefits (Marcela, 2012:6).

The historical development of co-operative businesses cannot be disconnected from the social and economic forces that shaped them. Co-operatives then, as now, were created in times and places of economic stress and social upheaval (Zeulli, 1980). The Rochdale society in England played a key role in launching the modern co-operative movement. They laid a foundation for their success and are responsible for codifying a guiding set of principles that helped guide the development of co-operatives across the world (Zeulli, 1980). The first co-operative business created in Europe arose during periods of great social upheaval and distress caused by dramatic shifts in agricultural and industrial production practices (Zeulli, 1980). Prior to the industrial revolution around 1750-1850, most families in England and other parts of Europe were largely self-sufficient, creating enough food and goods for their subsistence and small amounts for trading (Zeulli, 1980).

The industrial revolution introduced the factory system of production and was marked by a rapid succession of remarkable inventions that accelerated the industrialisations of business (Zeulli, 1980). Examples of inventions during this period include smelting iron with coal instead of charcoal, the cotton gin and power loom, and the steam engine. The writings of Adam Smith at the time, especially his advocacy of the laissez faire principle (no government intervention in the economy), further spurred the revolution (Kimberly Cropp and Schaars 2004). The industrial system gradually replaced cottage industries

and home based production. Workers were required to move into cities to find work. Away from land, their families were increasingly integrated into a market economy instead of producing their household requirements, especially food, as they had no other choice but to purchase from them (Hendrikse and Bijman, 2002).

Advances in production were not unfortunately, accompanied by fair labour standards. Workers were typically paid very low wages and were subjected to harsh working conditions (Hendrikse and Bijman, 2002). People remaining in rural areas were not much better off. An agricultural revolution was already underway in the 18th century. The introduction of new cultivation methods and crop varieties supported a dramatic change in land tenure patterns. Scattered, small plots of farmland were aggregated into large, enclosed estate, primarily for the purpose of grazing sheep and other livestock (Hendrikse and Bijman, 2002). Between 1760 and 1843 nearly seven million acres of agricultural land in England was enclosed in estates.

As a result, large numbers of small farmers were driven from their land into neighbouring towns and villages with few remaining jobs (Cook, 1995). A movement towards greater freedom of expression was another hallmark of this revolutionary period and the citizens of England began to publicly dissent with government policies, taking issues with the status quo and demanding more personal rights (Cook, 1995). Therefore the widespread poverty, unemployment and general social deterioration that were left in the wake of the industrial and agricultural revolutions were met with a public outcry to the government for improved working and living conditions (Cook, 1995).

The Irish organisation, Agricultural Organisation Society (AOS) established a group of 12 English and Welsh co-operatives in 1901 and these models of organisations served as structures of political representation of agricultural co-operatives. A great part of the one hundred co-operatives concentrated their activities in the supply of fertilizers, mixed feed and seeds for the associated members (Enew, Rayner, 1987). The development in the area of trading followed at a slower pace, even if some dairy co-operatives now appear promoted by the farmers themselves. World War I brought prosperity to the sector, raising the interests of the farmers in forming new co-operatives and the AOS designed a plan of promotion and creation of new regional structures as a base of representation of all the co-operatives in a specific area. After the war, agricultural co-operation underwent a deep crisis, which resulted in the dissolution of the AOS (Enew, Rayner, 1987).

The National Farmers Union (NFU) took over and founded the Co-operation Committee within its own structures (Knapp, 1965). The political solutions sought after by the NFU were based on the proposal of an intervention in farming markets by the creation of the compulsory marketing boards as monopolist societies of trading affecting voluntary cooperation in agriculture (Knapp, 1965). This put an end to the whole co-operative movement in the sectors where such monopolies were created. In the sector of trading co-operatives the dairy co-operatives were almost totally taken over by the Milk Marketing Boards, leaving only 30 egg co-operatives as the most important group of

trading (Knapp, 1965). Some supply co-operatives managed to carry on, doing the job of encouraging the process of recuperation undergone by co-operatives in World War II.

The NFU held the idea that there must only be one voice to represent the whole British agriculture against the government, and this voice must be that of the NFU. The co-operatives, however, wanted to have direct access to the government (Morley, 1975). The trade union NFU was not prepared to lose the privileges that they had been granted in 1949 as the only valid interlocutor facing the public administration, hindering the development of an autonomous representation in the cooperative movement (Morley, 1975). As a consequence, the NFU created a new organisation named Farmers' Central Organisation (FCO). The FCO had relative success in the affiliation of co-operatives, as the great majority remained in the old ACA (Morley, 1975).

The NFU recognized their mistake and in 1956 both organisations joined again, founding the Agricultural Central Co-operative Association (ACCA). In the first steps of the ACCA important achievements were made for agricultural co-operatives (Morley, 1975). The good relations between the NFU and the co-operatives were instrumental enabling the government to perform a relevant turn in the agricultural policy in favor of voluntary-oriented co-operatives (Morley, 1975). In South Africa the Horticulture Act of 1960 defined the co-operatives establishing two lines of support, one for the commercial development of co-operatives and the other for promoting the establishment of professional managers (Bailey, 1988). Once again the good relationships between the NFU and the co-operatives came to a close, this time due to a debate over the



conceptual grounds of the co-operative development. As a consequence, many co-operatives were transformed into “companies” (Bailey, 1988).

In the light of the disagreements between co-operatives and trade unions, the South African government appointed a committee to study the actual state of agricultural co-operation and provide some recommendations that would improve the situation (Bailey, 1988). In fact, a publication came out in 1965, a White book on the development of agriculture that approached the problems of agricultural co-operation related to other sectors and set goals that would improve the general structure of agriculture (Bailey, 1988).

The change of attitude towards agricultural co-operation of a voluntary base must be found in the need of a reform of the co-operative movement in the face of the new integration of Great Britain in the Economic European Community (EEC). During the 1960s the UK carried out a number of attempts to be integrated in the EEC before their actual entry in 1971. Also, the British agriculture had to be prepared for the time when the Common Agricultural Policy was in force by demanding the substitution of the obligatory marketing boards for voluntary co-operatives as a base for the development of the suitable trade structures in the agricultural sector.

The AHCS was foreseen for a period of 10 years, being prolonged on successive occasions and keeping in force today under the supervision of the Co-operative Development Board. The other fact that fostered modernisation of agricultural

cooperation was, no doubt, United Kingdom joining the then EEC (Ennew and Rayner, 1987). From the moment of integration, the majority of the activities were devoted to the area of trading, since it was through the commercial structures that the greatest part of the EEC's funding support was channelled towards the agricultural co-operatives. Groups that were specialised in animal farming products, vegetables, potatoes and cereals, were founded (Ennew and Rayner, 1987).

Also, in the 1970s and 1980s co-operative associations were formed with commercial aims. The old input supply co-operatives began to carry out trading activities with some products, like cereals, thus spreading out the co-operative activities of polyvalent character (Kimberly, Robert, 2004). The implementation of these projects was financed, to a large extent, by funds from the European community (European Agricultural Guidance and Guarantee Fund, EAGGF), the cereal and vegetable sectors receiving 80 percent of the funding support (Kimberly, Robert, 2004). In the face of Great Britain's imminent joining the EEC, the co-operative movement acknowledged the need for a sole body of representation. The three AOS together with other associations linked to the agricultural sector founded the Federation of Agricultural Co-operatives (FAC), with whom the articulation of the co-operative movement was first performed at a national level (Kimberly, Robert, 2004).

The latest promotion of agricultural co-operation has been the establishment of Food from Britain (FFB) under the frame of the agricultural Marketing Act of 1983 (Johnston, Ketilson, 2009). The working field of this new entity is to promote food products of

British origin inside and outside the country, and to continue the task started by the CCAHC through a specific body named Co-operative Development Board (CDB) (Johnston, Ketilson, 2009). In 1895, International Co-operative Alliance (ICA), a non-governmental organisation was established as an umbrella organisation to promote friendly and economic relations between co-operative organisations of all types, nationally and internationally. The major objective of the ICA is to promote and strengthen autonomous co-operative organisations throughout the world (Johnston, Ketilson, 2009). In order to achieve its aims, the ICA organises international, regional, and sectoral meetings (Emana, 2008).

The ICA also aims to promote exchange of information such as news and statistics between co-operatives through research and reports, directories, international conferences, and two quarterly publications: ICA (Emana, 2008). Since its creation, the ICA has been accepted by cooperators throughout the world as the final authority for defining co-operatives and for determining the underlying principles, which give motivation to co-operative enterprise (Emana, 2008). World membership in ICA gives some idea of the size of the co-operative movement today.

In 1895, the founding congress had 194 members; in the mid-1980s the ICA recorded a membership of about 355 million individuals; in 1999, the ICA's organisations represented 750 million people; and since 2002 it was estimated that more than 800 million people are members of worker, agriculture, banking, credit and saving, energy,

industry, insurance, fisheries, tourism, housing, building, retailer, utility, social and consumer co-operatives societies (Levin, 2002; Encarta, 2005).

### **2.8.1 The Role of co-operatives in Europe**

Agricultural co-operatives represent an instrument of interfering in the agricultural domain, by creating a horizontal connection between the peasants and the market mechanisms (Bregiani, 2010). In that way, an administrative organ such as the co-operative becomes the proper instrument, through its regulative function, for the diffusion and consolidation of monetisation. On the other hand, their “educative” role in the rural world gives them the character of (Bregiani, 2010) intermediates – and finally they turn to be a tool of osmosis – between the agricultural population and the economic environment (Bregiani, 2010). In addition to the technical aspect of modernisation (new cultivation techniques, new products) the co-operatives are a means of diffusion of innovative ideas in the agricultural world (Bregiani, 2010). As a result, the interaction between the national economy and the co-operative organisation can be clearly demonstrated, without overlooking the administrative role played by the co-operatives (Bregiani, 2010).

Co-operatives played a big role in allowing people to pool their human and financial resources and raise more capital. Individuals who were previously unable to start a business on their own were able to do so through co-operative action (Thomas, 2004). Benefits to members and to the community are tangible and intangible. Tangible benefits may be seen immediately in improved services, more product availability, and

better prices, whereas it may be some time before the intangible value from organising co-operatives becomes apparent (Thomas, 2004).

Through organising and governing their co-operatives (through committees and the board of directors) members develop leadership and problem solving skills and confidence in their ability to help themselves (Thomas, 2004). Co-operatives encouraged members to rely on themselves to solve economic and social problems instead of on the government (Thomas, 2004). Protection from anti-trust laws gave members the opportunity and incentive to share valuable production, marketing, and consumer information with each other since they could work together rather than act as competitors.

Co-operatives also played a key role in providing access to additional information and training by organising member education events (Fauer, 2012). Through ongoing education, co-operatives helped members improve product quality, adopt new technology, and gain a better understanding of modern business and economic issues (Fauer, 2012). Co-operatives had a significant impact on the communities in which they were located. They created and retained local jobs, had a long term commitment to remaining in the community and providing local leadership and development (Fauer, 2012).

Since co-operative profits were returned to local owners (and not to investors who may live outside the community) this allowed more money to be spent in the community,

strengthening the local economy (Fauer, 2012). In many cases, marketing, supply and service co-operatives benefited non-members by increasing the competition (the competitive yard stick theory). Monopolies have the power to charge outrageous prices and deliver only the most profitable services. In some cases, rural residents banded together to form co-operatives to provide such technology, which is then available to the community (Fauer, 2012).

Marketing co-operatives enhanced their members increasing their sales volume by reaching new and bigger markets with greater bargaining power (Zueli 1980). Co-operatives often help farmers improve their product quality through careful grading, branding, and packaging which ensures that they get better prices for their goods, which in turn leads to more personal profits. Some co-operatives also provided business assistances services, which can also lead to more effective marketing and better prices (Zueli, 1980). Processing co-operatives enhance value and profits to their members` raw products. The portion of profits that usually go to non-co-operative middlemen processors are instead diverted to co-operatives which give farmers a sense of security; members know that the co-operatives provide a secure market for their products, which is especially important with perishable products such as milk (Zueli, 1980).

Supply co-operatives help their members buy in larger volume and therefore at a lower cost. Collectively co-operatives members have a bargaining power that no individual could exert alone in the marketplace (Zueli, 1980). The co-operative also negotiates with vendors which mean more quality control over the goods it purchases for members.

Because this type of co-operative is able to fill a gap in the market place, members usually increased access to goods and services not previously available to them (Zueli, 1980).

Co-operatives are more likely to be set up in remote areas facing market access challenges (for example long distance transport to the market) and information asymmetry (dependence on traders for price information) (Dunn, 1988). Markets can and do fail in such regions. Co-operatives support income and employment in areas where rural development is a policy issue (Dunn, 1988). Co-operatives in remote areas are often important employers. In many cases the activities of these co-operatives go hand in hand with support for pursuing public objectives such as the development of human capital and environmental protection (Dunn, 1988). Co-operatives promote and lobby for public programmes, including subsidies that favour the region.

Further, in sharp contrast to their IOF counterparts, agricultural co-operatives are tied to a particular region because the farmers who own, control and are benefiting from them are also tied to the region through ownership of land (European Commission, 2011). In some cases co-operatives build their business strategy even on regional characteristics and social processes (resulting in, for example, regional or fair-trade types of products and services) (European Commission, 2011). PDO and PDG-types of products and links with incoming tourism can be part of such a strategy. However, in the end, all co-operatives are business oriented (European Commission, 2011).

They are instruments of farmers to enhance their income, which can partly come from the State. Co-operatives are also economic organisations, and activities that do not bear fruit in their business models are eventually not taken up or are discontinued (Bachiega and Borzaga, 2001). Like IOFs inside and outside agriculture, many co-operatives perform activities that are inspired by their corporate social responsibility policy. It is also clear that in some regions the co-operative is not only an important element in the life of the farming and rural community, but also an important social “place” to meet, to learn and socialise (Bachiega, Borzaga, 2001). However, it should not be expected that co-operatives pursue rural development as their primary objective. Also in the new Member States the co-operative is now, in this respect, business oriented and totally different from the situation under socialist rule (Bachiega, Borzaga, 2001). In some regions in Bulgaria public authority functions are carried out by agricultural production co-operatives and indirectly nuanced by the State, due to weak local government (Bachiega, Borzaga, 2001).

As defined in the Agricultural Council's declaration in the context of the Agenda 2000 discussions the following statement was made: “A Co-operative must be capable of maintaining the countryside, conserving nature and making a key contribution to the vitality of rural life and must be able to respond to consumer concerns and demands regarding food quality and safety, environmental protection and the safeguarding of animal welfare (Chaddad, Cook, 2004).” That is, the EU agricultural policy proposed an agricultural model in which commercial and non-commercial factors are included:



specific production systems and territorial occupation, both support social and cultural traditions that advance in the European integration project (Chaddad and Cook, 2004).

In this sense, agricultural co-operatives are one of the actors that carry out the European agricultural policy. Furthermore, these co-operatives have to be economically efficient and could be relevant rural development agents (Chaddad and Cook, 2004). In addition the “white paper” of the Spanish government (2001) defines rural development basic principles that co-operatives could be assuming as: participation, democratic decision process, subsidiarity, community compromise, integrated development, innovation, continuity among others.

Furthermore, Julia and Marí (2002) proposed that agriculture co-operatives in Spain could contribute to rural development because: 1) they are stable organisations in the local economy; 2) they have developed new support functions and new sustainable production methods; 3) they are protagonists of agro-industrial development and new local services; 4) finally, the co-operative sector could be an active actor in the definition of rural development policy (Julia and Marí, 2002). In consequence, activity evaluation of agricultural co-operatives needs first to establish economic efficiency indicators similar to firms and second indicators to reflect the social contribution on rural development (Julia and Marí, 2002).

Economic efficiency indicators allow a comparison with other economic organisations in the sector; however, these indicators must go with social efficiency indicators. Co-

operatives have been important vehicles for marketing agricultural products. In fact, the history of the most existing co-operatives dates back to the nineteenth century. In the Netherlands co-operative legislation was introduced in 1876, and since then, many co-operatives have been established (Van Bekkum, 2001). The largest number of new establishments appeared in the period 189-1914, a time of economic growth in Europe. Information on the 1995 market shares of agricultural co-operatives in the European Union was published by Van Bekkum and Van Dijk. These authors discuss the main trends among agricultural co-operatives, as well as data on the importance of co-operatives on a country by country basis (Van Bekkum, 2001).

Although marketing co-operatives can be found in all European countries and for all agricultural products, they are particularly strong in north-western Europe and for commodities like milk, meat, fruits and vegetables and cereals (Van Bekkum, 2001). In addition, co-operatives have substantial market shares in the production of animal feeds and the retailing of fertilizer, seeds and farm equipment. Finally, in many countries, the provision of rural credit is strongly dominated by co-operative banks (Van Bekkum, Van Dijk, 1997). The importance of co-operatives in the marketing of farm products has not diminished over the years unfortunately, from a local development perspective, a critical feature of the co-operative model is that it can be owned and controlled by community residents (Van Bekkum, Van Dijk, 1997).

Therefore, a co-operative is more likely to be interested in promoting community growth than an investor-owned firm controlled by non-local investors. Since community

residents control the firm they can ensure their own objectives are met, and not those of people who live elsewhere (Van Bekkum, Van Dijk, 1997). Co-operatives are eligible to apply for loans and grants from a number of federal and state agencies designed to support co-operative development (Van Bekkum, Van Dijk, 1997).

These can provide significant sources of low cost start-up and operational funds for their co-operative business. In addition, other non-governmental financial intermediaries such as co-op banks provide relatively low cost loans to co-operatives. Co-operatives can also benefit from significant tax advantages (Van Bekkum, Van Dijk, 1997). Finally, co-operatives may also be able to take advantage of lower labour costs, as members may be willing to contribute labour instead of capital as a form of investment in their business (Van Bekkum, Van Dijk, 1997).

Co-operative organisations involve more than simply competing in the market. Co-operatives as economic organisations can be community action instruments and community involvement instruments in order to combine the economic, social and political issues (Van der Walt, 2005). The most relevant contribution of co-operatives is an internal and external relationships model that is not based on shareholders' funds or production property rights (Van der Walt, 2005).

Their mechanisms of governance are structured under a democratic participation of the members in the decision making process. Following Bellostas et al. (2002), co-operatives are “many-sided entities, with several remarkable elements, that is: (a) an

alternative organisation in which people unite to mutually meet their economic, social and cultural needs; (b) a company as it competes in an economy sector; (c) a way of community participation to further commercial issues; (d) a social network generator mechanism; (e) a population development instrument in different regions and sectors” Bellostas et al. (2002).

Agriculture – farming, forestry, fisheries and livestock – is the main source of employment and income in rural areas, where most of the world’s poor and hungry people live. Agricultural co-operatives play an important role in supporting small agricultural producers and marginalised groups such as young people and women (Bellostas et al., 2002). They empower their members economically and socially and create sustainable rural employment through business models that are resilient to economic and environmental shocks. (Bellostas et al., 2002). Co-operatives offer small agricultural producers opportunities and a wide range of services, including improved access to markets, natural resources, information, communications, technologies, credit, training and warehouses (Bellostas et al., 2002).

They also facilitate smallholder producers’ participation in decision-making at all levels, support them in securing land-use rights, and negotiate better terms for engagement in contract farming and lower prices for agricultural inputs such as seeds, fertilizer and equipment (Bellostas et al., 2002). Through this support, smallholder producers can secure their livelihoods and play a greater role in meeting the growing demand for food on local, national and international markets, thus contributing to poverty alleviation, food security and the eradication of hunger (Bellostas et al., 2002).

Through co-operatives, small producers can pool their assets and competencies to overcome market barriers and other constraints such as lack of access to natural resources and lack of voice in decision-making (Holloway et al, 1999). The Rome-based agencies can support small producers in developing links with external economic and policy actors such as governments, private businesses and the research community (Holloway et al 1999). While such issues militate against successful performance of agricultural co-operatives, the documented potential role for such organisational frameworks should theoretically be highlighted (Holloway et al, 1999).

Such potential, include overcoming barriers to assets, information services and markets agricultural commodities through co-operatives (Holloway et al, 1999). The management and handling of such organisationally complex issues, calls for an organisation such an agricultural co-operative, to stand on behalf of small farmers and transact out the business in a cost effective manner. Secondly, agricultural co-operatives create the ability for the supply of required agricultural inputs so that production of commodities is done timely to enhance productivity. They also provide an assured market for commodities produced by isolated small farmers in the rural areas (Ortman et al: 2006).

With collective action, agricultural co-operatives can capture the benefits of value added, because of bulking and taking advantages of introducing grades and standards allowing agro processing value addition for the members (Ortman et al, 2006). In addition, agricultural co-operatives are responsible for stimulating poor farmers to make entry into markets, enhancing demand for standards and grades for perishable

commodities (Ortman et al, 2006), such as bananas, onions and tomatoes. Agricultural co-operatives and other co-operatives in general, have an international association known as the International Co-operative Alliance (ICA), which has the opportunity to navigate global co-operative trade (Ortman et al, 2006).

The existence of co-operatives also has had an impact in the generality of rural development in terms of availability and access to amenities that improve the basic conditions of life for the rural people (Ortman et al, 2006). These include employment creation, rural markets development, and enhancement of rural incomes and the improvement of access to social services (Ortman et al, 2006). Farmers producing crops and marketed by co-operatives are gainfully employed because they can account for their labour input by the revenue they earn during the marketing seasons.

Agricultural co-operatives are critical to general rural development because they provide employment of accountants, bookkeepers, managers, as part of direct employment (Clover, 2003). But those members earning better revenue through enhanced co-operative prices, usually have invested in income-earning projects such as piggery, chicken projects and other small enterprises (Clover, 2003).

Such enterprises outside the mainstream agricultural marketing co-operative domain, increase income levels of entrepreneurial farmers, but also increase additional employment to the rural people and hold up the massive population that would have migrate to cities in search of decent jobs (Clover, 2003). As far as market development is concerned, it has been evident that agricultural co-operatives have been responsible for introducing the exchange economy in remote rural areas in Africa. By doing so, co-

operatives have been responsible for developing modern markets in rural areas, where the co-operatives provide a ready market for farmers' crops but also absorb transaction costs (Holloway et al 1999), which would otherwise hinder small farmers from market and production integration.

Agricultural co-operatives, maintain higher levels of income, making small farmers able to construct decent houses, send their children to school and provide health insurance to sustain rural livelihoods (Chambo, et al, 2007). They also, have the advantage of accessing co-operative education and business development capacity building. Co-operative education enables them to participate in democratic debates and exercising democratic principles and leadership training (Chambo, et al, 2007). This gives them the ability to become enlightened citizens able to debate more effectively different political issues of concern to the community (Chambo, et al, 2007). But through co-operative education and practice, they also gain the skills of running a business. That is why rural development would greatly be enhanced, if people became members of agricultural co-operatives in general.

According to Volamen, (2009), some countries face permanent food shortage due to technological, climatic hazards and continued pockets of civil strife. At the same time however, they produce their own food and countries such as those in Asia, the farms provide employment to 2.5 billion people (Volamen, 2009). But all these are indications that food crops can be transformed into business and tradable commodities where agricultural co-operatives could play a significant role. Policy-makers, the media and,

most importantly, the farmers themselves, are realising that co-operatives have nothing to do with land collectivisation (Volamen, 2009).

They aim to help farmers gain economies of scale by joint access to agriculture inputs and to the markets (Volamen, 2009). Thus, co-operatives, rather than going back to the past, allow farmers embracing in full the benefits of an open market economy (Volamen, 2009). Nowadays, most trade transactions involve big volumes, demanding sophisticated food safety and food quality standards. It would be very hard for small farmers to play any role, unless they are able to cooperate among themselves and sell their production jointly (Volamen, 2009).

Business-oriented co-operatives play a pivotal role in European agriculture. In most European countries, a large part of the population, engaged in primary production, are small farmers . The majority of them (and also of the big and medium size farmers too) are members of co-operatives. In total, there are 9 million agriculture co-operatives members across the EU, which means than 2 out of every 3 farmers is a member of at least one co-operative. The role of agricultural co-operatives in Europe cannot be overestimated: They represent over 60% of shares of the collection, processing and marketing of agricultural products (Volamen, 2009).

The total turnover of the European agricultural co-operatives is around Euro 260 billion. Co-operatives are a very important economic actor, but not only that. They can also play an important role in raising the voices of the farmers and in supporting local communities in the rural areas . In a healthy democracy, the different sectors of the society can promote their own interests in a participatory manner. This is indeed one of



the key roles of the co-operatives. Access to agricultural credit is one of the challenges to agricultural production. Historically, agricultural financing is provided by co-operative banks rather than agricultural co-operatives (Volamen, 2009).

These co-operatives are referred to as Raiffeisen-type co-operatives and have a strong presence in rural areas in Europe. “The Raiffeisen groups in Austria, Switzerland and Luxembourg, credit co-operatives in Italy, the Cajas Rurales in Spain, and the group Credito Agricola in Portugal are all disproportionately presented in the countryside. The Cajas Rurales, for example, account only for about 5 per cent of the Spanish banking market on various measures, but they control about half the retail market in some rural provinces. It is also worth noting that Credit Agricole has a 90 per cent market share in France’s agricultural banking market (Smith and Ross, 2006).

Agricultural co-operatives also help in food security by giving incentives to small and subsistence farmers to contribute to food production. Through economies of scale in obtaining training, credit for farm inputs, and arranging for irrigation, co-operatives enable these farmers to improve their productivities and raise output (Smith and Ross, 2006). With improved marketing, co-operatives enable these farmers to obtain better prices in the market place, giving them the right incentives to produce for surplus. (Smith and Ross, 2006).

Agricultural co-operatives also promote the participation of women in economic production, which, in turn helps in food production and rural development (Smith and Ross, 2006). Through co-operatives, women are able to unite in solidarity and provide a network of mutual support to overcome cultural restrictions to pursuing commercial or

economic activities (Smith and Ross, 2006). Co-operatives, organised as business enterprises for the benefit of their members, offer a model of enterprise that is particularly relevant in difficult economic times and instances of market failures (Smith and Ross, 2006). As a self-help group, a co-operative organisation is widely accessible, especially for the impoverished and the marginalised. Where private enterprise or government is weak, particularly in remote rural areas, co-operatives enable local people to organise and improve their conditions (Smith and Ross, 2006).

Co-operatives promote and support entrepreneurial development, creating productive employment, raising incomes and helping to reduce poverty while enhancing social inclusion, social protection and community-building (Smith and Ross, 2006). Thus, while they directly benefit their members, they also offer positive externalities for the rest of society and have a transformational impact on the economy. Co-operatives are important economic players (Smith and Ross, 2006). Financial co-operatives, including credit unions, serve millions of members while some of the largest retailers in the world are consumer co-operatives. Meanwhile, agricultural co-operatives account for a significant part of agricultural production (Smith and Ross, 2006).

In trying to assess the scale of the global co-operative movement and its contribution to the global economy, the International Cooperative Alliance (ICA) compiled the Global 300 which lists the top 300 global mutual and co-operative organisations. Co-operatives also provide opportunities for social inclusion. In the informal economy, workers have formed shared service co-operatives and associations to assist in their self-employment. In rural areas, savings and credit co-operatives provide access to banking

services which are lacking in many communities (Gertler, 2001). Credit co-operatives in financing the formation of small and micro businesses, promotes inclusive finance that the United Nations envisages reaching the poor in a sustainable way (Gertler, 2001).

In many countries, co-operatives and mutual benefit societies are substantial providers of social protection, especially health coverage, and they operate as voluntary community-based schemes (Gertler, 2001). Co-operatives are community-based, rooted in democracy, flexible, and have participatory involvement, which makes them well suited for economic development (Gertler, 2001). The process of developing and sustaining a co-operative involves the processes of developing and promoting community spirit, identity and social organisation as cooperatives play an increasingly important role worldwide in poverty reduction, facilitating job creation, economic growth and social development (Gibson, 2005). Co-operatives are viewed as important tools for improving the living and working conditions of both women and men. Since the users of the services they provide own them, co-operatives make decisions that balance the need for profitability with the welfare of their members and the community, which they serve (Gertler, 2001).

As co-operatives foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection (Somavia, 2002). Hence, co-operatives accord members opportunity, protection and empowerment - essential elements in uplifting them from degradation and poverty (Somavia, 2002). As governments around the world cut services and

withdraw from regulating markets, co-operatives are being considered useful mechanisms to manage risk for members and keep markets efficient (Henehan, 1997).

In a number of ways, co-operatives play an important role in global and national economic and social development. With regard to economic and social development, co-operatives promote the “fullest participation of all people” and facilitate a more equitable distribution of the benefits of globalisation. They contribute to sustainable human development and have an important role to play in combating social exclusion. Thus the promotion of co-operatives should be considered as one of the pillars of national and international economic and social development (Levin, 2002).

In addition to the direct benefits they provide to members, co-operatives strengthen the communities in which they operate. According to Somavia (2002) co-operatives are specifically seen as significant tools for the creation of decent jobs and for the mobilisation of resources for income generation. Many co-operatives provide jobs and pay local taxes because they operate in specific geographical regions. According to Levin (2002) it is estimated that co-operatives employ more than 100 million men and women worldwide.

## **2.9 The International Co-operatives Alliance (ICA)**

The International Co-operative Alliance is a non-profit international association established in 1895 to advance the co-operative social enterprise model. The Alliance provides a global voice and forum for knowledge, expertise and coordinated action for and about co-operatives (Crossen.2009: 7). The International Co-operative Alliance is

the apex organisation for co-operatives worldwide representing 272 co-operative federations and organisations across 100 countries (Crossen.2009; 7) According to the General Assembly (2009: 1), it is the custodian of co-operative values and principles and makes the case for their distinctive values-based economic which also provides individuals and communities with an instrument of self-help and influence over their development. The ICA advocates the interests and success of co-operatives, disseminates best practice and know how, strengthens their capacity and monitors their performance and progress over time (General Assembly, 2009; 1).

International Co-operative Alliance was founded in London; August 1895. It is one of the oldest international organisations in the world. It survived two world wars, the cold war and thrives today in many regions (Crossen, 2009:3). Since its creation the ICA has been the final authority for defining co-operatives and elaborating the principles upon which co-operatives should be based. Previously it had made two formal declarations on Co-operative principles, the first in 1937 and the second in 1966. These two earlier versions like the 1995 reformulated were attempts to explain how co-operative principles should be interpreted in the contemporary world (Crossen, 2009:3).

The International Co-operative Alliance (ICA, 2005) defines a co-operative as “an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (Ortmann and King, 2007). The seven internationally recognised co-operative principles are: voluntary and open membership; democratic member

control; member economic participation; autonomy and independence; provision of education, training and information; cooperation among co-operatives; and concern for the community (Ortmann and King, 2007).

In 1987 the United States Department of Agriculture (USDA 2004) adopted just the three principles of user ownership, user control and user benefit (roughly the first three ICA principles) following arguments that co-operatives operating in global markets, particularly agricultural marketing and supply co-operatives, cannot afford to internalise the ICA values and principles but must focus on fewer, more self-centered principles just to survive (Birchall, 2005). The other principles, it could be argued, are also held by other organisations. Essentially, then, a co-operative is a user-owned and user-controlled business that distributes benefits equitably on the basis of use or patronage (Barton, 1989).

Thus, a farmer member who accounts for 5% of the volume of agricultural products delivered to the co-operative would receive 5% of the net earnings derived from the handling, processing and marketing of those products. (Birchall, 2005) “Such patronage dividends help boost the income of farmers directly or by reducing the effective cost of the goods and services provided” (NCFC, 2005).

This principle is often referred to as “business-at-cost” (Barton, 1989). The United States (US) National Co-operative Business Association (NCBA, 2005) also emphasises the unique characteristics of co-operatives relative to other (investor-

oriented) businesses (Barton, 1989). Co-operatives are owned and democratically controlled by their members (i.e., those that use the co-operative's services or buy its goods) and not by outside investors. Members elect their board of directors from their ranks. Major policy decisions are based on the one-member, one-vote principle, regardless of each member's investment in the co-operative (NCBA, 2005).

Co-operatives return surplus income (revenue over expenses and investment) to members in proportion to their use or patronage of the co-operative, and not proportionate to their investment or ownership share. Co-operatives are motivated not by profit, but by providing a service to satisfy members' requirements for affordable and quality goods or services (NCBA, 2005). Co-operatives exist solely to serve their members. Co-operatives pay taxes on income retained for investment and reserves (NCBA, 2005). Surplus revenues are returned, according to patronage, to individual members who pay taxes on that income. The NCBA (2005) argues that co-operatives “are formed by their members when the marketplace fails to provide needed goods and services at affordable prices and acceptable quality. Co-operatives empower people to improve their quality of life and enhance their economic opportunities through self-help”.

The NCFC (2005) echoes these sentiments by providing the reasons why co-operatives were, or are being, formed: to strengthen bargaining power; maintain access to competitive markets; capitalise on new market opportunities; obtain needed products and services on a competitive basis; improve income opportunities; reduce costs; and manage risk (NCBA, 2005). Essentially, then, farmers form co-operatives with the

objective to generate greater profits, (1) by obtaining inputs and services at lower costs than they could obtain elsewhere or that were not available, and (2) by marketing their products at better prices or in markets that were previously not accessible (Barton, 2000). Many types of co-operatives have been established worldwide to serve the interests of members, including consumer, producer, worker, and service co-operatives (NCBA, 2005).

According to the NCBA (2005), there are 48,000 co-operatives serving 120 million people in the US, whereas globally some 750,000 co-operatives serve 730 million members (Barton, 2000). The various co-operative types provide members with diverse products and services, including financial services, equipment and farm supplies, marketing of agricultural products, consumer goods, utilities (e.g., electricity, telephone), housing, and other services (e.g., insurance).

Barton (2000) points out that, although co-operatives are common in many parts of the world, their most extensive and successful use during the last century has been in North America and Europe (Barton, 2000). In general, agricultural co-operatives can be classified into three broad categories according to their main activity, namely marketing co-operatives (which may bargain for better prices, handle, process or manufacture, and sell farm products), farm supply co-operatives (which may purchase in volume, manufacture, process or formulate, and distribute farm supplies and inputs such as seed, fertilizer, feed, chemicals, petroleum products, farm equipment, hardware, and building supplies) (Cropp, 2002).



Service co-operatives (which provide services such as trucking, storage, ginning, grinding, drying, artificial insemination, irrigation, credit, utilities, and insurance) (Cropp & Ingalsbe, 1989; USDA, 2004). These co-operatives usually vary greatly with regard to functions performed, and can also vary greatly in size. Most of the agricultural co-operatives are relatively small businesses (Cropp, 2002). In 1999, for example, 50% of co-operatives in the US had less than \$5 million in gross business volume and accounted for about 3% of total agricultural co-operative business, whereas 0.5% of co-operatives had a gross business volume of \$1 billion or more and accounted for 43% of total business volume (Cropp, 2002).

These periodic revisions are a source of strength for co-operative movement, they demonstrate how co-operative thought can be applied in a changing world, they suggest how co-operatives can organise themselves to meet new challenges and they involve co-operators around the world in the re-examination of the basic purpose for their movement (Prakash, 2003:2).

The ICA's theoretical foundations were far less developed than the international socialist movement with its explicit ideological basis in Marxist. The co-operative movement was largely based around principles drawn up by the Rochdale Society of Equitable Pioneers in 1844 (Crowen, 2009:4). The Rochdale were themselves utopian socialists and hoped to found a community based on the model developed by Robert Owen. Based on the principles, the co-operative movement spread to an international

scale and through co-operative federalism individual co-operative grew and became connected to others in an ever expanding network (Crowen, 2009:4).

According to the General Assembly (2009:1) The International Co-operative Alliance (ICA) unites, represents and serves co-operatives worldwide. It is the custodian of co-operative values and principles and makes the case for their distinctive values-based economic business model which also provides individuals and communities with an instrumental of self-help and influence over their development. The ICA advocates the interest and success of co-operatives, disseminates best practices and know how, strengthens their capacity building and monitors their performance and progress over time

The General Assembly states that the ICA, a global networking organised at the global, regional, sectorial and thematic levels, is a world-wide representative of co-operative organisation of all kinds that has the following objectives: The first objective is to promote the world co-operative movement, based upon mutual self-help and democracy; the second objective to protect co-operative values and principles; the third to facilitate the development of economic and other mutually beneficial relations between its member organisations; the fourth is sustainable human development and to further the economic and social progress of people, thereby contributing to international peace and security and the fifth objective is equality between men and women in all decision making and activities within the co-operative movement (The General Assembly, 2009:2).

### **2.9.1 The Principles of co-operatives outlined by ICA**

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination. The democratic organisation controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member one vote) and co-operatives at other levels are also organised in a democratic manner (Crossen, 2009:8).

Members contribute equitably to and democratically control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation if any on capital subscribed as a condition of membership. Members allocate surplus for any or all of the following purposes: developing their co-operative possibly by setting up reserves part of which at least would be indivisible benefiting members in proportion to their transactions with the co-operative and supporting other activities approved by the members (Crossen, 2009:8).

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations including governments or raise capital from external sources, they do so on terms that ensures democratic control by their members and maintain their co-operative autonomy. Co-operatives provide

education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives (Crossen, 2009:8).

They inform the general public particularly young people and opinion leaders about the nature and benefit of cooperation. Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structure. Co-operatives work for the sustainable development of their communities through policies approved by their members (Crossen, 2009: 8).

According to Prakash (2003) the basic co-operative values are based on self- help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Self-help is based on the belief that all people can and should strive to control their own destiny. Co-operators believe that full individual development can take place only in association with others. Individuals can develop through co-operative action by the skills they learn in facilitating the growth of their co-operative. Co-operatives are institutions that foster the continuing education and development of all those involved with them (Prakash, 2003:2).

Self-responsibility means that members assume responsibility for their co-operative for its establishment and its continuing vitality. Members have the responsibility of promoting their co-operative among their families, friends and acquaintances. Members also ensure that their co-operative remains independent. Co-operatives are based on equality. Members whether an individual or a group are equal, it does not depend on the social and economic status of the member (Prakash, 2003:2). Achieving equity within a co-operative is a continuing, never ending challenge. It also refers to how members are treated within a co-operative. They should be treated equitable in how they are rewarded for their participation, normally through patronage dividends. Allocation to capital reverses in their name, or reduction in charges (Prakash, 2003:2).

Solidarity-ensures that co-operative action is not just a disguised form of limited self-interest. A co-operative is more than an association of members, it is also collective. All members including the employees and the non-members who are closely associated with the co-operative should be treated fairly (Prakash, 2003:2).

### **2.9.2 The potential role of agricultural co-operatives and possible impacts**

Agricultural co-operatives enable members to become active and meaningful participants in local and national economies, and to promote socio-economic development. There is also need to provide an organisational framework to deliver cheap interventions aimed at assisting members to access services such as extension and input supply and facilitate access to financial services (Wanyama, et. al., 2008:4).

Thus co-operatives have the plusses of identifying economic prospects for the poor; enabling the disadvantaged to preserve their interests; and providing security to the poor by allowing them to translate individual risks into collective risks. Consequently, co-operatives are increasingly being presented as a pre-condition for a successful drive against poverty and exclusion mainly in Africa (Birchall, 2004; 2003; ICA, 2003).

Therefore Co-operatives emerged as means to fight poverty. This poverty is caused by inadequate access to resources (such as land, capital and infrastructure) and the poor availability of social services (for example education, health and housing).The South African government has committed itself to creating a favorable environment for co-operative development. In particular, the government has undertaken to focus its relatively scarce resources on providing physical and legal infrastructure to reduce transaction costs, including risk, so that markets for products and resources (such as land) can work more efficiently. Improvements in physical infrastructure, such as roads and telecommunication facilities are aimed at reducing transport and communication costs for farmers and traders and would improve access to inputs such as hybrid seed,

fertilizer and chemicals, while access to product markets may also be improved (Ortmann and King, 2007).

This study is focusing mainly on the role of agricultural co-operatives on food security in the Eastern Cape Province. According to Chambo (2009), there is a close correlation between food security and co-operatives. This has been witnessed in countries with a long standing history of large size co-operative organisations like Tanzania, Kenya and Uganda. This correlation however, has made it possible for small farmers to buy food from ordinary village markets. Apart from having cash income from co-operative businesses, individual members have also been food secure, due to climatic advantages in these areas. Farmers that join co-operatives have more advantages than farmers who are not part of co-operatives since the family farm and co-operatives can provide a decentralised system of food security and employment (Chambo, 2009:80).

There are some characteristics that elongate the life of a co-operative. These include: a strong and enthusiastic leadership in the community for group action; competent managers and directors promoting members' interests ; participation of members in formulating co-operative policy; keeping adequate stocks of farming requisites; maintaining competitive prices for inputs and products; providing transport for members' purchased inputs and products for sale; educating members; facilitating members' access to credit; and ensuring the quality and safety of products (Chambo, 2009:20). The effectiveness of these internal requirements largely depends on educating and training co-operative members, managers and directors.

Co-operatives are a seedbed for development, personal and collective development of the country and can be mechanisms for relieving great unemployment and income discrepancy in the country. This improves the living conditions of people as they also reduce poverty and hunger. Furthermore, co-operatives play a fundamental role in the mobilisation of the creative, productive and financial forces of citizens and participation for development. They help to create a culture of self-reliance. More so, co-operatives reduce influx from rural to urban areas by creating better employment and self-employment opportunities in the rural areas.

They also contribute to the achievement of the goals of the national economic policy, such as GDP, full employment and effective participation of the South African entrepreneurs in all sectors of the economy. They also contribute to the promotion and encouragement of the South African business people or co-operators to own and manage commercial enterprises, monetary stability, balanced foreign trade account and a fair distribution of the national income (The National Cooperative Policy, 2009:9).

Members should not run after their co-operatives to provide them with services and facilities. It should be the co-operative which should, on its own, be keen to offer a variety of services and facilities to the members which they need. A Member is a radiant factor from which the power of agricultural co-operatives emanates. Members are the economic strength of the co-operative. Members should not feel that they are dependent on the co-operative. They have several other options which may not be as



economically attractive for them. It is the co-operative which should be dependent on the members. For the co-operative, the focus should be on the members and their business potential, rather than on itself (Prakash, 2000:8).

Agronomists need money and that money has to be a reasonably good return for the investments made. To secure returns, two factors are very important: Value-addition and marketing. The process of marketing is more difficult than that of production. It requires an intimate knowledge of market trends. It should be scientific and well-organised, otherwise the farmer runs the risk of not getting the full value of his produce and the investment made. In cases where co-operatives are not able to respond to the marketing needs of the members, middlemen thrive and the farmer-members get sucked into the vicious circle which the co-operatives are supported to break. Provision of post-harvest services, warehousing, packaging, and shipment and market information are the essential links in the chain of marketing (Prakash, 2000:7).

Co-operatives are often blamed for non-performance mainly due to lack of participation on the part of their members. In agricultural co-operatives the entire business moves around the economic benefits which the members expect from their co-operative. Farmer members are eager to sell their produce and obtain timely and sufficient funds to increase their produce. Their expectations from the co-operative generally revolve around guidance, advice and support in matters of farm technology; supply of farm inputs like, fertilizers, farm chemicals, farm machines and implements: easy accessibility to the sources of credit for purchase of improved seeds, maintenance of

fields, investments in long-term items including, tube wells and farm cattle among others; assistance and advice on environment-related issues such as, disposal of animal wastes and others as well as improvement and development of infrastructure for example grading centres, packaging facilities, forwarding facilities, plastics and pipes (Prakash, 2000:9).

Farmers on their own individual strengths cannot harness all these services and facilities. They would naturally expect their co-operative to develop such services and provide them to the farmers when needed. Members also expect their co-operative to find suitable marketing avenues, which involve facilities such as supply of market information, warehousing, value-addition possibilities by erecting some agro-processing facilities and maintaining some business contacts with wholesale markets and bulk buyers (Prakash, 2000:8).

These expectations naturally become the responsibilities or tasks to be undertaken by the management leaders of the co-operative, which include the board and the managers. It then becomes a plan of action for the co-operative. All efforts are then made to implement the plan. If the expectations are not met members get disjoined from the co-operative. Their participation in business and organisational affairs get reduced, which a co-operative can hardly afford. A manager is, thus confronted with several problems for example, identification of markets, methods and techniques of handling members' produce, ensuring adequate returns to the member-farmers and maintaining their loyalty and relationship with the co-operative. Managers with

experience, capacity, capability, tact, clarity of business ethics, and professional competence can overcome such problems (Prakash, 2000:8).

## **2.10 The Basic Needs Approach (BNA)**

Cooperatives enable the poor people to get their basic needs and earn sustainable livelihoods. Therefore, one of the theories relevant to the study is the basic needs approach which was first proposed by the International Labor Organization (ILO) at its 1976 World Employment Conference (Crosswell, 1981). The objective of a BNA is to ensure that human beings have the opportunity to live full lives. The approach focuses on the securing of access to minimum levels of consumption of certain basic goods and services such as: shelter provision, food, clothing, access to sanitation and clean water (McGregor, 1981:5 Max-Neef, 1987:13). The radical BNA mainly focuses on the importance of poverty eradication as one of the most important objectives community development should focus on, and also the poor people being the major participants in their own development activities (Max-Neef, 1987).

This approach was based on a bottom-up blue print model and it introduced two important ideas to the rural development strategy. “The first idea was that there was a target group on which rural development should focus on: the poor. The major aim was to place the poor rural people at the centre of development. Secondly, there was the acknowledgement that poverty results from a series of causes, thereby necessitating that rural development involve the interaction of a large number of inter-related activities” (Broadbent, 1990:49).

According to this approach, households are defined as poor if their food, clothing, medical needs, education, social welfare and security needs are not met (Treasure, 2009:7-10.) The World Bank rates poverty stricken people as those who survive below the poverty datum line of US \$1 per day. For the livelihoods of the poor to be improved, it is essential that governments provide these basic needs. The absence of such services impacts negatively on the outcome of sustainable livelihoods for the poor because it means they have to fend for themselves to meet these basic needs and not everyone has the assets and capacity to meet them.

However, although the BNA has received attention even from international and national poverty programs for its more meaningful description of the poor and poverty, it has its own limitations in that its needs change over time and in that it is problematic to specify the amount of items, type of items and characteristics of the basic needs (Streeten, 1998). Its failure to indicate how people could meet their basic needs and the amount or

income needed to do so is also a drawback. This approach too calls for other approaches that can be used to define, interpret and explain poverty.

The above-mentioned misconceptions led to the approach being subjected to great criticism. Critics of this approach argued that the BNA was nothing new; that rural development efforts have been concentrating on issues like employment and income distribution for some time so that the approach is just simply a different label attached to the same product (Lewis, 1981:30). Lewis also sees the approach as a little more than a slogan that expresses a worthy intention but offers no concrete policy guidance. In addition, while BNA has content, policies for meeting basic needs are unfavorable to growth (Lewis, 1981). Furthermore, Lewis argues that a basic need is considered as an improper focus for a co-operative development effort.

Other critics of this approach pointed out that although this approach seeks to act on the situation of the poor with the view of improving it, it preserves the underlying structures of society which determine the conditions of their existence. They argue that it is determinate relations that give rise to poverty and impoverishment and reproduce them at even higher levels (Broadbent, 1990:110). As a result of the failure to attack these relations of production the effects, and not causes, are attacked and the poor continue to suffer. Another aspect to take into consideration is the fact that the approach proceeds from the implementation of projects accompanied by a few proposals for reforms which are usually quite vague.

As a result of this, though the approach was meant to be a bottom-up approach, the implementation process ends up being top-down because the poor meant to benefit are never involved in the formulation of the projects except only at the implementation stage. There are also fears that the projects for the poor would end-up profiting the rich even more at the expense of the poor who continued to suffer (UNDP, 2001: 24; Nussbaum, 2000:22).

The BNA has been described as consumption-oriented; giving the impression that poverty elimination is all too easy. It invests in economically productive activities that will help a society carry its own weight in the future, it focuses on allowing the society to consume just enough to rise above the poverty line and meet its basic needs (Crosswell, 1981). However, despite all the criticisms this study is considering the BNA because it is concerned about the human condition and it supports the participation of community members for enhancing their capabilities. As a result the community will be able to sustain itself, thus sustainable development.

### **2.11 Sustainable livelihood approach (SLA)**

The approach came into being in the late 1990s and is based upon evolving thinking about poverty reduction, the way the poor and vulnerable live and the importance of policies and institutions (Ellis, 2001). The concept of (SLA) is an attempt to go beyond the conventional definitions and approaches to poverty eradication. These have been found to be too narrow because they focus only on certain aspects of poverty such as

low income or they do not consider other vital aspects of poverty like vulnerability and social exclusion.

(Krantz, 2001:25) describes the sustainable livelihoods approach as a multi-disciplinary approach that tries to capture, and provide understanding on the fundamental causes and dimensions of poverty without collapsing the focus onto just a few factors (e.g. economic issues, food security, etc.). This study has adopted the SLA for the analysis of findings mainly because the need for sustainable agricultural co-operative can never be over emphasised. Sustainability is a challenge in agricultural co-operatives thus there is need to borrow elements of sustainability from the SLA. It is hoped that using the lenses of the SLA will help to identify the potentials of agricultural co-operatives for achieving goals of food security. A livelihood refers to the outcomes in the household that are essential for a living.

Livelihood diversification helps in that it enhances wider coping space for food security leading to poverty alleviation (Krantz, 2001:25). There is need for access to financial resources (i.e. agricultural co-operatives) by villagers hence the need for a strong link between agricultural co-operatives and livelihoods. Soussan et al (2000) notes that the livelihoods idea combines assets and activities that generate proper livelihood strategies for households. The importance of using SLA is for poverty alleviation and creation of opportunities for the poor. Agricultural co-operatives give power to the poor people by putting them in a position where they make group decisions and individual decisions (Chambers, 1983).

Positive trends that promote food security include among them adequate water supply, proper marketing places, adequate inputs, adequate financial services and assets. Identified negative trends that discourage food security are insufficient funds, lack of water supply and improper marketing places. A strong link between agricultural co-operatives and livelihoods could be afforded so as to build the capacity of villagers in dealing with vulnerability contacts to achieve positive livelihood outcomes (Chambers, 1983).

According to Chambers and Conway (1992:296), a livelihood comprises the capabilities, assets (including both material and social resources) and activities as a means of living. A co-operative is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, while not undermining the natural resource base (Sen, 1988:8). Sustainability comes if there is a long term perception of the means for nourishment. Chambers and Conway's (1992:296) definition tries to establish a relationship among different variables such as capabilities of person or household, various forms of assets and type of activities required for a living.

Krantz (2001) argues that livelihoods are people's capacity to generate and maintain their means of living, enhance their well-being and that of future generations. These capacities are contingent upon the availability and accessibility of options in terms of



ecological, economic and political resources which are predicated on equity, ownership of resources and participatory decision making (Anand et al., 2005:4).

In other words, the SLA puts people at the heart of development. It is based on the belief that the poor are the bosses of multifaceted assets (Mhaka, 2013). Hence this study sought to search whether agricultural co-operatives are enhancing people's capabilities so as to enable people to have sustainable livelihoods. The approach searches for an understanding of the numerous livelihoods that people follow and the changes occurring over time, the resources used in livelihood activities, the constraints faced and available opportunities. The SLA approach aims to build the capacity of the local people so that they can be able to develop or propose their own livelihood strategies. The SLA involves action in enhancing the participation of people in planning their livelihood intervention options and adopting people-centred strategies; raising the human capital status of households and communities; promoting formal and informal employment; and ensuring appropriate utilization of natural resources (UNDP, 2001: 24). In the Eastern Cape, livelihoods largely depend on agriculture, fishing and trade. The opportunities of people living in this area are very limited since the resources in their proximity are used to benefit the whole country not only them (Mhaka, 2013).

### **2.11.1 Principles of the Sustainable Livelihoods Approach**

Livelihood is defined differently depending on different situations. It is mainly used on poverty as well as rural development. In South African rural areas it can be seen as an

easy way of living by meeting needs for shelter, food, clothes, health, education and the environment which could provide substantial degrees of local needs and self-reliance (Ellis, 2000). However, livelihoods are more than consumption and income. Ellis (2000) believes that a livelihood is comprised of assets such as natural, physical, human, financial and social capital.

The activities to access these assets by institutions and social relations together determine the living gained by the individual, household or community and should be sustainable (Mhaka, 2013:110). In other words, the construction of livelihoods is based upon the availability of resources combined with the different capabilities or skills people have strategised to form livelihood outcomes. In their attempts to make a living people use a variety of resources, such as social networks, labour, land, capital knowledge, employment, technology and markets to produce food, harvest natural resources and to generate income (Ellis, 2000).

Scoones (1998) also calls these assets poverty reducing factors simply because they have been used by individuals, households and communities as means to end rural poverty and attain better livelihoods. Livelihoods transcend sectorial economic boundaries (for example agriculture and industry, formal employment and informal activities) as well as geographical boundaries, particularly those between urban and rural environments (Ellis, 2000).

According to Ashley and Carney (1999) livelihood approaches propose that thinking in terms of strengths or assets is vital as an antidote to the view of poor people as passive or deprived. Central to the approach is the need to recognise that those who are poor may not have cash or other savings but they do have other material or non-material assets such as health, labour, knowledge and skills, friends and family and the natural resources available. Those involved in the agricultural co-operatives lack these resources and have become an obstacle in increasing their output. There is need for State intervention in assisting these agriculture co-operatives in providing sufficient resources for production.

Proponents of the livelihood approach argue that it is conceptually appropriate, empirically sound and of more practical use to start with an analysis of assets. Assets comprise capital (natural, physical, human, financial and social), the activities, and the access gained to these that together determine the living gained by the household (Ellis, 2001:10). Assets form households' endowment of resources with which to gain their living. Scoones (1998) argues that the ability to pursue different livelihood strategies is dependent on the basic material and social, tangible and intangible, assets that people have in their possession. This means that fundamental to the construction of livelihoods is the availability of assets or resources that may be tangible or intangible (Ellis 2001).

Livelihoods of rural dwellers have been centred on the utilisation of assets such as land, woodlands, water bodies and so forth. Physical capital refers to assets brought into existence by economic production processes, for example, tools, machines, and land

improvements like terraces or irrigation canals. Human capital refers to the education level and health status of individuals and population. Financial capital refers to reserves of cash that can be accessed in order to purchase either production or consumption goods and access to credit might be included in this category. Social capital refers to the social networks and associations in which people participate, and from which they can derive support that contributes to their livelihoods (Ellis, 2001:80).

The sustainable livelihoods framework is depicted around five key elements namely contexts, conditions and trends; livelihood strategies; institutional processes and organisational structures; livelihood strategies and livelihood outcomes (UNDP, 2001:24-25). The important aspects of the context include policies, historical and political factors, climate and environment, and patterns of social differentiation (Scoones, 1998). According to the World Bank (2007:3), "All in all agriculture is the source of livelihood for an estimated 86% of the rural population in the developing world". In the agricultural sector, productivity has contributed greatly to economic growth and the reduction of poverty. In the developing world, agriculture has the capacity to reduce poverty by harnessing the productive capacity of the poor's very assets of land and labour and by lowering and stabilising food prices and providing opportunities of employment and rural economic growth (Scoones, 1998).

Ellis (2001) argues that direct support for the rural households developing world include subsidies for fertilizer, irrigation and funding of international and national agricultural research. Indirect support include funding of rural infrastructure such as rural feeder

roads, the creation of State agencies to provide services to agriculture, and integrated rural development programmes comprising components within supposedly unified frameworks (Ellis, 2000:98). Poor people in rural areas rely heavily on their environment for most of their needs and are affected by the deterioration in the quality and quantity of these resources.

More so, the availability of natural and physical capital such as land, water, air, biological resources, livestock, irrigation canals, buildings and environmental services among others. In the developing world have made it possible for agriculture to be practiced as a livelihood strategy in the rural areas (Marcus, *et. al.*, 1996). Marcus *et al* (1996) argue that many rural households in communal areas regard themselves as agriculturalists and those without land aspire to have land within these areas while those with land are eager for more; this indicates the value of land based strategies to livelihoods. The production of crops and rearing of livestock is a social protection mechanism for these people as they gain a livelihood, and gain income through sales.

According to FAO (1998), land based strategies act as a rural safety net for household members and the safety net value of land based goods and services are used in time of need to cope with shocks and stress. The full range of goods and services associated with livestock produce and gardening, wild foods harvested from amongst staple arable crops and collection of natural resources for consumption are direct use values of agricultural activity. Agriculture can be practiced for commercial or subsistence and consumption purposes depending on the availability of capital assets like land, labour,

financial capital and physical capital. The most common practice that has been dominant in the rural areas is subsistence agriculture which is affordable for poor people (Nyathi, 2012:138).

However, the SLA was referred to as an unworkable idea (Rawls, 1999:13) since it is criticised for incompleteness. The problem indicated relates to the selection of capabilities. Hence there is philosophical contestation as to what capabilities should inform the capability lists for evaluative purposes. Nussbaum (2006) argues that a list of capabilities chosen by the people may not amount to a morally justifiable list. Thus, the basic capabilities is not acceptable merely because people have agreed on it or because it has been chosen. The notion of public reasoning in the generation of capabilities lists has been questioned considering that the approach is eurocentric. However, it is possible to draw a list of capabilities for Africa's development (Klasen, 2000).

Additionally, the livelihoods together with the basic human needs theory do not take into account poverty caused by economic, political, social and geographical factors. These factors limit people's opportunities and resources that enable the achievement of goals and well-being (Bradshaw, 2006:11). Thus, certain groups in societies are vulnerable because of discrimination. As a result, regardless of the capabilities and competence, the poor are left to fall behind. Thus, by virtue of living in a poor area, the poor are bound to remain poor (Bradshaw, 2006: 12). Thus, for Davids *et al.*, (2005:41) the solution to poverty is to eliminate structural poverty through redistribution of wealth and

income. Bradshaw (2006:11) believed that poverty can be eliminated by training and educating people. However, the poor cannot afford basic education.

The SLA will underpin this study since the livelihoods approach focuses on the community and other social structures. This is conveyed by the argument which says that there are many factors within the societal processes and structures that inhibit the enhancement of freedoms and capabilities (Robeyns, 2005). Stewart and Deneulin (2002:68) suggest an extension of the concept of capability to include valuable structures of living together, thus, the inclusion of functional families and social contexts deserve more attention in terms of how they facilitate and stall development. Robeyns (2005) argues that there are a number of studies on capabilities that have incorporated the factors that critics are arguing to be non-existent in the capability approach.

## **2.12 Conclusion**

Agricultural co-operatives are becoming increasingly popular as a tool for development in developing and developed countries. This enables the members to become active and meaningful participants in the local and national economy. The SLA approach was adopted in the study as most the appropriate because it places the poor at the center of the development process. It also shows the complexity of the livelihoods of the poor and aims to determine how they construct their livelihoods using various capital assets such as human, social financial, physical and natural capital as mediated by certain structures and processes and in the context of various trends and shocks. The basic

need approach is concerned with the human condition and it supports the participation of community members and the enhancement of their capabilities.



## **Chapter 3: The Co-ops strategy 2004 and Co-operatives in SA**

### **3.1 Introduction**

This chapter outlines the role of agricultural co-operatives in food security in South Africa. It also shows the historical overview of agricultural co-operatives in South Africa and their success and failures. The current state of agricultural co-operatives in the Eastern Cape is also discussed.

### **3.2 Agricultural Act of 1947**

The South African Agricultural Act of 1947 defined the new position of public administration towards cooperation. The disputes between trade unionism and cooperation set the general tone in the search for a central structure representative of the co-operative movement. In 1945 the Agricultural Co-operative Association (ACA) was founded as a result of an agreement between NFU and the co-operative leaders. In 1950 they comprised as many as 103 co-operatives (Knapp, 1965). But the clash between the NFU and the ACA soon surfaced.

The White book recommendations substantiated in the Agricultural Act of 1967 created the Central Council for Agricultural and Horticultural Cooperation (CCAHC) and the Agricultural and Horticultural Cooperation Scheme (AHCS), as a coordinated program of subsidies for the modernisation of the co-operative sector. The CCAHC was funded by the government and the functions assigned to this body were to promote, develop and coordinate all the initiatives of farmers in matters of cooperation; to manage the plan of public support to co-operatives and give counsel to the Minister of Agriculture on issues related to the co-operatives of a voluntary base.

### **3.3 The 2004 Co-operative Strategy**

In 2001, South African cabinet resolved that the mandate for the development and promotion of co-operatives be transferred from the Department of Agriculture to the Department of Trade Industry (DTI), to ensure that co-operatives are given recognition and allowed to flourish in all sectors of the economy (Department of Trade and Industry, 2012:7). The Department of Trade and Industry has continued to play a leadership role in promoting co-operatives and coordinating all efforts pertaining to co-operatives development in South Africa. This also involves the implementation of the DTI integrated strategy on the development and promotion of co-operatives in relation to all other stakeholders at the national, provincial and local levels (Department of Trade and Industry, 2012:7).

This strategy and implementation plan for Cooperative Development and Support has been developed in line with national and provincial policy and legislation frameworks such as the constitution of the Republic of South Africa, the Reconstruction and Development Programme (RDP), the Co-operative Act No.14 of the Department of Trade and Industry, Co-operative Development Policy (2004) the Eastern Cape Provincial Growth and Development Plan (PGDP) and the National Local Economic Development (LED) framework (Department of Trade and Industry, 2012:9). These policy documents charges entities of government and other socially committed stakeholders with the responsibility of working towards the establishment of a socially conscious, inclusive, productive, equitable and dignifying political economy that will correct the

unequal distribution of economic participation and wellbeing that South Africa has created (Department of Economic Development and Environmental Affairs, 2008: 5).

The strategy outlines the rational, methodology and agreed approach to co-operatives in the Eastern Cape. In so doing the strategy draws lessons from the rich history of the continent, developing and developed countries all over the globe and the recent proliferation of the co-operatives in South Africa and their relationship with government. According to the Department of Economic Development and Environmental Affairs (2008: 5), It also addresses other forms of collective enterprises such as community trusts, secondary and tertiary cooperatives, that are organically established by the primary cooperatives themselves. Thus it is based on the premise that strong co-operative movements can only be formed if made up of vibrant, independent and well-functioning primary co-operatives rooted in communities. (Department of Economic Development and Environmental Affairs, 2008; 5).

There are more than 3000 (three thousand) registered co-operatives in the Eastern Cape. However little is known about the organisation and functioning of these co-operatives (Department of Economic Development and Environmental Affairs, 2008: 5). They are largely small with marginal impact on the economy. It would be desirable however to investigate the contribution they make to their members and communities especially in the face of unemployment and poverty. The vision of the strategy is to see a vibrant and independent co-operative sector in the Eastern Cape with co-operatives becoming a significant component of the province's economic structure. The co-

operative vision is not only economic but also developmental with co-operatives playing a major role in the social and cultural development of all communities in the province (Department of Economic Development and Environmental Affairs, 2008: 5).

### **3.4 Objectives of the 2004 Co-operative Strategy**

The aim of the strategy is the efficient and effective establishment of the institutional framework within the province to support co-operatives other similar collective enterprises from the local level. Such framework would support agricultural cooperatives to pool the resources of government and other partners to catalyse and support the growth of community and socially owned capital.

The aim is to also ensure that adequate and tailor made co-operative support programs are in place to guarantee sustainability and growth of co-operatives in the Eastern Cape. The growth of the co-operative movement in the Eastern Cape is autonomous and independent of government and is aligned to the co-operative sector and types identified in the co-operative act no14 of 2005. The goal is to make sure that there is continuous availability of best practice through research, database and knowledge management, networking amongst co-operatives and the creation of linkage locally and internationally. The purpose is to clarify the role of stakeholders, agencies, government departments, communities and co-operatives themselves in the development of co-operatives in the Eastern Cape and create proper alignment in terms of co-operative strategy between the co-operative development programmes and all other provincial

government support programmes and also with municipalities (Department of Economic Development and Environmental Affairs, 2008: 6).

The 2004 co-operative strategy acknowledges the role played by all factors in the province from the co-operative movement itself, community and co-operative support organisations, trade unions, local and district municipalities, development and development finance agencies and government institutions and department. Each of these actors has a role to play in implementing this strategy. These institutions are particularly important in promoting cooperation in the various economic sectors such as housing and construction, agriculture and agro-processing, manufacturing, tourism, the social sector, savings and credit and the consumer sector (Department of Economic Development and Environmental Affairs, 2008: 6).

In the development of the 2004 co-operative strategy, the Department of Economic Development and Environmental Affairs has been mindful that it is about to release an industrial strategy for the province. The industrial strategy is developed in order to change the industrial structure of the province. The second aim is to change the spatial, sectorial, class and racial inequalities that were and are inherent in the economic and industrial structure of the Eastern Cape. In this regard the development of strong worker co-operatives in the various economic sectors is one key element envisaged to contribute to transforming the economy (Department of Economic Development and Environmental Affairs, 2008: 6)

The 2004 Cooperative strategy is evidence of government's continued commitment to the promotion of co-operative over the next ten years, i.e. 2012 and 2022. It sets out an implementation framework for the co-operatives development policy 2004 and the Co-operative Act No. of 2005 as amended (Department of Trade and Industry, 2012:7). The strategy is the result of an extensive consultation process with all relevant stakeholders including, all spheres of government: national, provincial and local levels of government, the co-operative movement, organised labour and international organisations, Non-Governmental Organisations, Community-Based Organisations as well as businesses and the National Economic Development and Labour Council (Department of trade and industry, 2012:7).

The strategy is aimed at promoting co-operatives in order to release their potential to create and develop income-generating activities and decent, sustainable employment, reduce poverty, develop human resource capacities and acknowledge, strengthen competitiveness and sustainability, increase savings and investment, improve social and economic wellbeing and contribute to sustainable human development (Department of Trade and Industry, 2012:8).

### **3.5 The History of Agricultural co-operatives in South Africa**

During the apartheid era, agricultural co-operatives handled all exports of citrus and deciduous fruit. They also handled and processed the entire wool clip, marketed 90% of the dried fruit. On the input side, they provided and financed 90% of the fertiliser, 85% of the fuel, 65% of chemicals, and significant proportion of the machinery and

implements used by white farmers (Mazibuko, 2009:5 In response to widespread retrenchments as the crisis of apartheid economy deepened, the trade union movement, after 1980 played a key role in promoting the concept of producer co-operatives as part of the anti-apartheid struggle (Mazibuko 2009:6).

The 1981 Cooperative Act provided three kinds of co-operatives to be formed and incorporated under the Act. These were agricultural co-operatives, special farmer's co-operatives and trading co-operatives (Mazibuko 2009:6). The South African government is promoting the use of co-operatives as organisations that could help enhance the development of small-scale farmers and other communities in the country. After the end of apartheid in 1994, a new legal framework, the Agricultural White Paper of 1995 which liberalised and deregulated agricultural marketing, land reform and other aspects of agricultural policy was ushered in. The urban and rural poor have sustained various hybrids of co-operatives that include burial societies, stokvels and savings clubs (Mazibuko 2009:78).

In August 2005, a new Co-operatives Act (No.14 of 2005), based on international co-operative principles, was signed into law by the SA government. This Act sees a major role for co-operatives in promoting the economic and social development, "in particular by creating employment, generating income, facilitating broad-based black economic empowerment and eradicating poverty" (RSA, 2005b: 2). The government has committed itself to providing a supportive legal environment for co-operatives (Agrerkon, 2007:2).

The history of co-operative development in South Africa has been documented by several authors (e.g., Van Niekerk, 1988: DTI, 2003; Piesse *et al.*, 2003: RSA, 2005a). The first co-operative in South Africa was a consumers' co-operative that was established in 1892 under the Companies Act, as no co-operatives act existed at the time (Van Niekerk, 1988: 19). Several more co-operatives, particularly agricultural co-operatives, were registered under the Companies Act until 1908 when the first Co-operative Act was passed.

This was followed by the Co-operative Societies Act of 1922 (Act No. 28 of 1922), which focused mainly on agricultural activities. Following recommendations by the Commission of Inquiry into Co-operatives and Agricultural Credit of 1934, the Co-operative Societies Act of 1939 (Act No. 29 of 1939), which still focused on agricultural activities, was passed by the SA Parliament. This Act, in turn, was repealed by the Co-operatives Act, 1981 (Act No. 91 of 1981), which also made provision for trading co-operatives. The 1981 Act was amended on at least eight occasions (Agrekon 2007: 7).

Looking specifically at food security in the province, a survey by Statistics South Africa in 2009 (General Household Survey, 2009) reported that an estimated 20% of South African households have inadequate or severely inadequate food access. The General Household Survey (GHS) report indicates further that during 2008 food access problems were mostly serious in the Free State Province where 33.5% of the households had inadequate access to food. In second place was KwaZulu-Natal where



the percentage of households with inadequate provision of food was 23%, Eastern Cape (21.4%), Mpumalanga (21.5%), Limpopo (11.9%) and Western Cape (14.5%). According to the Food and Agriculture Organisation (FAO) report (2008), high unemployment rates, inadequate social welfare systems and a high HIV/AIDS infection rate have all contributed to food insecurity in the country (DAFF, 2011:80).

The development of the Co-operative Acts and agricultural co-operatives in general should also be seen in the context of other laws and regulations that were implemented by the SA government in support of (white) commercial farmers. The Land Acts of 1913 and 1936, aimed at removing blacks from designated white areas and consolidating the black homelands, were supplemented by other measures to support commercial farmers, including the establishment of the Land and Agricultural Bank (Land Bank) in 1912 (to provide subsidised loans to commercial farmers), the Co-operatives Societies Acts of 1922 and 1939 (to secure input supply and output marketing services), and the Marketing Act of 1937 (to control the marketing of agricultural products) (Agrekon 2007: 7).

Agricultural co-operatives emerged and thrived in this environment. Traditionally, many co-operatives were involved in three main areas of business: (1) the purchase and sale of agricultural inputs and equipment; (2) the purchase, storage and subsequent sale of agricultural commodities; and (3) transport services (Piesse *et al.*, 2003). Mazibuko (2009:5) supports this by stating that “the history of co-operative development in South Africa is linked and shaped by a history of colonial apartheid planning and organising in

society and economy. The first co-operative formally established as the Pietermaritzburg Consumers Co-operative was registered in 1892 under the then Companies Act (Mazibuko 2009:5).

However, the Land Bank also used co-operatives as its agents to provide short and medium-term credit to commercial farmers at subsidised interest rates, while the government used co-operatives to channel disaster assistance to farmers, usually in the form of debt consolidation. The agricultural co-operatives thus became financial intermediaries. The Marketing Act of 1937 (later amended as Act 59 of 1968) enabled the use of various policy instruments (such as single-channel schemes, pool schemes, and export monopolies) to manage the marketing of agricultural commodities through 23 marketing (control) boards, which were established under the Act. Co-operatives were usually appointed as agents to the respective marketing board (Agrekon, 2007:8).

In view of the history and development of co-operatives in South Africa and the political changes that have occurred, the Co-operatives Act of 2005 recognises the following:

- “The co-operative values of self-help, self-reliance, self-responsibility, democracy, equality and social responsibility;
- That a viable, autonomous, self-reliant and self-sustaining co-operative movement can play a major role in the economic and social development of the Republic of South Africa, in particular by creating employment, generating

income, facilitating broad-based black economic empowerment and eradicating poverty;

- That the South African economy will benefit from increasing the number and variety of viable and sustainable economic enterprises;
- That government is committed to providing a supportive legal environment to enable co-operatives to develop and flourish” (Agrekon, 2007; 9).

Several large co-operatives in South Africa have converted to Investor Oriented Firms (IOFs) in recent years and there is still considerable controversy in the agricultural community over the merits of co-operatives versus IOFs (AgriTV, 2003). Essentially, the controversy revolves around the question of whether farmers’ interests are better served by remaining members of a co-operative owned by them, or by an IOF that is managed and owned by shareholders.

The arguments in favour of IOFs include their easier access to various sources of capital; their ability to attract top-quality management; the alignment of shareholders’ interests with those of customers; and an entrepreneurial flair often missing in co-operatives. Also, as co-operative members are often reluctant to fully capitalize their co-operatives (because they do not receive a competitive return on their capital), it cannot provide top-quality service and match the competition from IOFs (AgriTV, 2003:30). Thus, co-operative members face the member/shareholder conflict – they may receive a good service from their co-operative, but the return on their capital invested is poor compared to what shareholders in an IOF may receive on their investment in terms of

dividends and the potential for capital growth. Proponents of co-operatives argue that a co-operative exists to serve its members who are able to retain influence over its functions and activities (AgriTV, 2003). Philip (2003:36) supports the establishment of user co-operatives (Agrekon, 2007: 10).

At the end of 2004 there were 459 registered agricultural co-operatives in South Africa, while non-agricultural co-operatives numbered 3,751 (Registrar of Co-operatives, as cited by Van der Walt, 2005:27). Although there have been relatively large numbers of new co-operative registrations over the last few years, Van der Walt (2005:56) maintains that it is difficult to ascertain how many of these are actually active and thriving.

In a recent study of a sample of 54 registered co-operatives in the Limpopo province (one of the economically poorer provinces in South Africa), Van der Walt (2005:80) found that 65% of these were not operational. Reasons provided include (in order of importance): poor management, lack of training, conflict among members, lack of funds, and operations never started after registration. Nearly 50% of respondents admitted that the service provided to clients was inadequate, which could have caused conflict among members and failure (Van der Walt 2005:80). Overall, poor management was indicated as the most important reason for co-operative failure. These issues are clearly important for government officials who are promoting co-operatives and for the communities who wish to establish co-operatives. Education and training of managers and members, and mentoring of managers (at least over the short to medium-term) appear to be critical,

but not sufficient, requirements for the establishment and operation of successful co-operatives. (Agrokon, 2007:11).

By the early 1860's, agricultural production in South Africa was sufficient to meet the consumption requirements of the population (Binswanger and Deininger 1993:13). Farming in much of the country's rural areas was subsistence-based. Commercially oriented agricultural production was largely limited to the coastal areas. However, most agricultural co-operatives were mainly dominated by white people. Vink (2003:26) identifies the main features of white agriculture during this period as being the mechanisation of the commercial agricultural sector, and a growth in the level of subsidies to white farmers. Subsidisation took many forms, including disaster relief, research, interest rate, subsidies and price supports through an increasingly regulated agricultural marketing system. The legislative framework was also designed to advance the interests of the white agricultural sector at the expense of the African farming sector (Vink, 2003:26).

However, even after the Government of National Unity (GNU) in 1994, South African agricultural co-operatives have been experiencing some challenges. Thus, an understanding of the causes of co-operative failures in the former homelands of South Africa is important in order to avoid similar occurrences in the future. Poor management, lack of training, conflict among members, and lack of funds appear to be important contributory factors (Philip, 2003). Members of failed or poor-performing co-operatives appear to have failed to clearly understand the purpose of a co-operative, how it

functions, and what members' rights are. This could stem from their lack of education, training, and information, which also applies to the Eastern Cape Province. Strategies that could help prevent co-operative failures in the Eastern Cape and improve the likelihood of establishing and operating successful co-operatives are discussed below (Philip, 2003).

For the success of co-operatives the South African government should play a proactive role in creating a legal, economic, administrative, and institutional environment that will promote private initiatives, such as the formation of marketing associations or co-operatives. In particular, government should provide physical and legal infrastructure to reduce transaction costs, including risk, so that markets for products and resources work more efficiently (Meyer, 1999). Improvements in physical infrastructure, such as roads and telecommunication facilities, would help to reduce transport and communication costs for farmers and traders, and ease access to input and product markets (Meyer, 1999).

### **3.6 A Description of the study area**

In the case of Eastern Cape, the Provincial Growth and Development Plan (2004-2014) revealed that over 60% of the population in rural areas has inadequate food security and the co-operative sector was seen as one of the effective tools to combat poverty in the province. According to Ndlovu (2013:8) Statistics South Africa (SSA) has shown that food insecurity is not an exceptional, short-term event, but is rather a continuous threat for more than a third of the population. In addition, given that agricultural production is

no longer accorded the value that it should carry, in and around rural communities, is on its own a problem that carries explanations to the prevalence of food insecurity at the household level amidst surplus food at the national level (Human Sciences Research Council (HSRC), 2004 cited in Ndlovu 2013;8).

Co-operatives in the Eastern Cape are regarded as having potential impact on development and poverty reduction. The 1970s agriculture co-operatives were characterised by large-scale farming and centrally managed estate project farms. This was particularly the case with industrial crops where large units were desirable (Walt, 2005). Agriculture co-operatives obtained a further boost with the establishment in 1973 of an agricultural division in the Bantu Investment Corporation.

However, it seems that substantial financial losses were the norm with these schemes. Furthermore, the distribution of benefits was limited in relation to total need and to aggregate resources available for development. Although higher levels of resource use, production and wage employment were achieved through these 'modern' farming enterprises managed by companies and consultants, little was done to promote a class of self-employed farmers or to improve farming conditions for smallholders outside these structures (Vink, 2003).

Sometimes co-operatives are assisted by the government through various ways by providing them with support and in the form of finance or other assistance such as providing the infrastructure and creating a good environment where co-operatives can

succeed. In order to get co-operatives operational, bridging finance is needed. This bridging financial can be provided by local governments at subsidised interest rates in order to promote rural development (Walt, 2005). The countries where this is practiced include Canada, Spain, Kenya, Bangladesh, India and Italy all of which have enjoyed relative success in developing co-operatives as an alternative from of business through the creation of a favourable legislation environment and provision of appropriate support measure (Promoting an integrated cooperative sector in South Africa;2012-2022:8).

Farmers producing crops and marketed by co-operatives are gainfully employed because they can account for their labour input by the revenue they earn during the marketing seasons. In addition, Louw (2008) asserts that, given the historically important role that co-operatives played in the development of the agricultural communities in South Africa, many other motivational aspects also support the role that this type of business can play in the development of local communities.

Louw (2008) goes on to state that cases of actual co-operative formation often reveal that members of a founding group commonly share some sort of common prehistory that binds the potential participants together. The history of the communities built was most probably the reason behind the feeling of coherence that is normally observed amongst the members of the co-operatives. An aspect that also supports the principles of collective entrepreneurship is the value system from which African people have evolved, which implies that a person is a person through other people. Furthermore,



farmers who decide to join co-operatives can achieve economies of scale in bargaining with outside suppliers and markets (Nilsson, 2001 cited in Louw, 2008).

Agricultural cooperatives in South Africa are recognized and well known for the contributions they make to members and their communities in terms of economic, social and cultural development. They also empower members in most cases where there is collective responsibility and where decision making is democratic. “However, with high unemployment and widespread poverty, the needs of most people in the Eastern Cape are closely linked to the need work and earn an income.” (Department of Economic Development and Environmental Affairs 2008:14). Therefore in the Eastern Cape most of the agricultural cooperatives are slowly developing into viable businesses that employ their respective members and other people. However (Department of Economic Development and Environmental Affairs 2008:16) noted that this is not the case for a significant number of the agricultural cooperatives. Cooperatives also play a significant role of facilitating members’ access to inputs, marketing, loans as well as employment creation. Department of Economic Development and Environmental Affairs (2008: 16) noted that agricultural cooperatives play an important role of promoting food security.

### **3.7 Conclusion**

The empirical view of the study focusing on the state of agricultural Co-operatives and food security in South Africa. It has been clearly reflected that agricultural co-operatives play a paramount role in fostering food security and poverty reduction. Agricultural co-operatives have always been significant in this regard from the days dating back to the Apartheid era. The discussion has reflected on a plethora of policy frameworks and strategies that seek to encourage the development of agricultural co-operatives in South

Africa. However it is worthy to note that government should play a proactive role in creating a legal, economic, administrative and institutional role for the success of agricultural co-operatives in South Africa.

## **Chapter 4: Methodology of the Study**

### **4.1 Introduction**

This chapter presents the research methodology that was employed to in order to achieve the objectives that were raised in Chapter1. The chapter includes the research's target population and sampling, data collection procedures and units of analysis used in the study. This is also shown on table 1 in the subsequent section below on the interviewed people.

### **4.2 Research methodology**

The qualitative research methodology was used because it seeks to find in-depth information of people's experiences and behaviors. Qualitative research involves the process of forming questions and asking them, and this can be achieved through interviews (Bernard and Ryan, 2010). This methodology helped in understanding the attitudes, perceptions, and existing conditions of the government on agricultural co-operatives. The research sought to establish the perceptions of village famers that include men and women towards agricultural co-operatives.

Creswell (1998:15) defines qualitative research as “an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem”. He added that the researcher builds a complex holistic picture, analyses words; reports detailed views of informants, and conducts the study in a natural setting. Furthermore, Hull (1997: 14) is of the view that “the purpose of qualitative research is to understand human experience to reveal both the processes by which people construct meaning about their worlds and to report what those meanings are”. Therefore a qualitative research method was found to be ideally useful for this study because it

emphasises the importance of the social context for understanding the social world. In the case of this study, the method helped to explore the contribution of co-operatives in Nkonkobe to food security by looking at the meanings that the people gave on the context in which it appears.

Such studies allow the complexities and differences of worlds-under-study to be explored and represented (Philip, 1998: 267). Furthermore, according to Silverman (2000:89), the “methods used by qualitative researchers exemplify a common belief that they can provide a ‘deeper’ understanding of social phenomena than would be obtained from purely qualitative data”. In this regard the researcher preferred a qualitative method as the best to use in the study on the contribution of co-operatives to food security in the Nkonkobe Municipality.

This study rests upon the assumption that one can obtain extensive in-depth data from ordinary conversations with people as shown by Gubrium and Sankar (1994:7). The aim of this research was to gain a deeper understanding of the meaning that individuals have ascribed to their life-world. It also aimed to get a holistic understanding of the contribution of agricultural co-operatives in the Nkonkobe municipality, rather than exclusively concentrating on any other agricultural based activities. Furthermore, a qualitative research ideally solicits rich information about the agricultural co-operative projects from various sources. More so, qualitative research made it easier for the researcher to flexibly explore the field with the aim of assessing specific information to come up with accurate results.

Qualitative inquiry employs different knowledge claims, strategies of inquiry, and methods of data collection and analysis (Walliman, 2006). This methodology allowed participants to present their achievements, challenges and possible solutions which could be used to improve their agricultural co-operatives. In addition, the rationale behind selecting the qualitative method for this study is that the topic needs to be explored flexibly with the main aim of accessing specific information rather than mere generalising the findings.

In this study, the notion of social context is of greater importance when carrying out a qualitative research in that relevant data will be gathered directly from the context in which the phenomena under study occurs. In support of this, Myers (2009) asserts that qualitative research is designed to help researchers understand people, and the social and cultural contexts within which they live.

The methodology used had an advantage to understand human experiences with regards to agricultural co-operatives in the Nkonkobe Municipality. According to Myers and Avison (2002:2), "Research methodology is a strategy of enquiry which moves from the underlying philosophical assumption to the research design and data collection'. On the other hand, De Vos et al (1998:77) state that the term methodology merely means the way in which one proceeds to solve problems. In the context of research, it means the process one follows to answer the research questions or to solve the research problem. More so, Creswell (1994:43) maintains that methodology refers to the entire process of a study. As such it is important to consider these differences and underpinnings between the research methodologies so as to adopt the relevant one for the phenomenon under study. Thus this study employed a qualitative research method

to gather data from members of the agricultural cooperatives in the Nkonkobe Municipality.

#### **4.3 A case study research design**

The central feature of the case study research design is the investigation of the one or more specific instances of something that comprise the cases in the study. A case can be something relatively concrete such as an organization, a group or an individual, or something more abstract such as an event, or a management decision (Gomm et al. 2000). Agricultural cooperatives in the Nkonkobe Municipality form the cases for this research study.

Some common features of the case study research include in-depth study of a small number cases, data are collected and analyzed about a large number of features of each case, cases are studied in their real-life context; understanding how the case influences and is influenced by its context is often of central interest to case researcher and so on. Case studies are most commonly associated with qualitative research and qualitative data but this need not be so and quantitative data can readily be incorporated into a case study where appropriate (Gomm et al. 2000, Yin 2009).

#### **4.4 Population and Sampling**

Researches on food security in the Eastern Cape mainly focus on the Expanded Public Work Programs (EPWP) and the RDP, among others, however this study took a different approach by paying close attention to the agricultural co-operatives in the Nkonkobe Local Municipality. Polit and Hungler (1999:37) define population as “an

aggregate or totality of all the objects, subjects or members that conform to a set of specifications”.

A minimum sample size of 53 was the targeted unit of analysis for this study and the researcher expected data saturation from this number of participants. In this way, the adequacy of the research data was attained when sufficient data had been collected so that saturation and variation were both understood and accounted for. Saturation means that the themes and categories in the data become repetitive and redundant; to the extent that no new information can be gathered by further data collection (Denzin and Lincoln, 1994: 43). More so, De Vos et al (2005) views population as a phrase that sets parameters on the study units and it refers to individuals who possess specific characteristics under study”. The researcher was unable to accommodate the whole population because it was too large

Purposive and snowballing sampling techniques were used in choosing respondents. Snowball sampling according to Biernacki and Waldorf (1981) yields a study sample through referrals made among people who share or know of others who possess some characteristics that are of interest to the researcher. Therefore the technique helps to identify the prospective participants through chain referral. More so, purposive sampling technique (also known as judgmental sampling) was used so as to reach

- the 3 people within the age of 18-40 years
- 9 people within the age of 18-50 years
- 7 people within the age group of 30-50 years
- 5 people within the age group of 40-60 years
- 9 people within the age group of 31-60, years

- 10 people within the age group of 31-60 years
- 3 people within the age group of 30-60 years
- 4 people within the age group of 40-60 years

Purposive sampling is based entirely on the judgment of the researcher to choose samples that contain the most relevant characteristic or typical attributes of the population (Flick, 2007).

The advantage of purposive sampling is that it increases the likelihood of variability common in any social phenomena to be presented in the data (Creswell, 2009). This would imply a consistency in collected data and a reduction in bias. Purposive sampling is a non-probability sampling that is used in qualitative research and also in quantitative as well particularly when the population of interest is unusual or difficult to access (Mannee and MacCabe, 2008).

Kerlinger cited in De Vos et al (2004:198) defines sampling as “taking any portion of a population or universe as representative of that population or universe”. According to De Vos et al. (2004:207), purposive sampling is entirely based on the judgement of the researcher, in that the sample is composed of elements that contain the most characteristic, representative or typical attributes of the population. The advantage of purposive sampling is that it helps to increase the likelihood of variability common in any social phenomena to be presented in the data (Creswell, 2009).

#### **4.5. Data collection and instruments**

Data was collected through fieldwork that involves face to face interview. The study collected using questionnaires that were constructed in English. Babbie (1986)



postulates that, interviews are seen as an interactive process between the researcher and the subjects and they consist of a general plan of inquiry but not specific questions.

Face to face interviews were appropriate in that they helped in saving time and costs. The interviews comprised of open ended questions which were an advantage, the respondents answered in detail and revealed a thinking, creativity and self-expression (Flick 2007). The use of unstructured interviews in all participants of this study ideally led to narrative descriptions. The questionnaire was used as an interview schedule and it helped by bringing out information about the food security in the community and respondents. Unstructured interviews sought to understand the world from the participants' point of view, to unfold the meaning of people's experiences and to uncover their lived world prior to scientific explanations as identified by Flick (2007).

Prior to going to the field, the researcher prepared an interview schedule which was aimed at guiding the interviews. Greeff (in De Vos et al., 2002:302) posited that the interview schedule provides the researcher with a set of predetermined questions that can be used as an appropriate instrument to designate the narrative terrain. The researcher was prepared before going into the field with a set of questions to cover. In this way difficulties as well as sensitive areas of the project were anticipated before going into the main data gathering exercise. Interviews were conducted on individuals who were members of co-operatives under study in the Nkonkobe Municipality. The total number of respondents obtained from the face to face interviews was recorded and journaled as presented in the table in page 148.

#### **4.5.1 Focus group discussion**

In this study, focus groups were utilised as a research technique that collects data through group interaction on a topic determined by the researcher. The research included three focus group discussions. Focus group were used in this study for the major purpose of argument the reliability and validity information obtained form face to face interviews. One of the main advantages of this technique is that participant interaction assists to weed out false or extreme views, thus providing a quality control mechanism as identified by Kingry et al. (1990:5) the interviewer acted as a facilitator in introducing the themes, guiding the discussions and encouraging all members to express their perceptions. In one of the focus group there were five participants the second focus group included eight participants and the last focus group had six participants as outlined by the table above.

To obtain clarity and understanding, probing questions were asked and sometimes the researcher had to repeat what the research participant had said to ensure the same understanding. The correctness, validity and reliability of the information were crucial to the study as there were recommendations to be developed at the end of the study which could be used as solutions to the challenges identified. Kruegar (1994: 6) defines a focus group as “a carefully planned discussion designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment”.

Kitzinger (1994) argued that it is a form of group interview, with the distinguishing feature of group interaction and it is used to encourage in-depth discussion (Carey,

1994:123-127). Although this method is used to reflect the views of individual group members, it upholds the view that attitudes and perceptions do not develop in isolation (Morse and Field, 1996). The aim of a focus group is not to develop consensus but to produce qualitative data that provides insight into the attitudes, perceptions, motivations, concerns and opinions by generating a collective consciousness (McElroy, 1997:145-49). Focus groups employ an interviewing technique with discussion taking place under the guidance of a moderator. The moderator facilitates discussion in a non-directive and unbiased way, using pre-determined questions (Kingry et al. 1990:24).

The reason for focusing on a small area was to get a deeper view and understanding of people's experiences and viewpoints as well as to explore the associated feelings and to observe the non-verbal expressions. Focus groups enabled the researcher to understand the phenomenon under study from a group perspective rather than from individuals only.

**Table 4.1 Number of focus group discussions respondents**

<b>Co-operative</b>	<b>Location</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
<b>Vulimfundo</b>	<b>Lloyd</b>	<b>4</b>	<b>1</b>	<b>5</b>
<b>Masinedane</b>	<b>Msobomvu</b>	<b>3</b>	<b>5</b>	<b>8</b>

<b>Wuduza Zolani</b>	<b>Skhutshwane</b>	<b>6</b>		<b>6</b>
	<b>TOTAL</b>	<b>13</b>	<b>6</b>	<b>19</b>

#### **4.5.2 Secondary sources of data**

The research also used secondary sources of data. Secondary sources are defined as documents that are written after the occurrence of events and they provide accounts of certain events, topics or persons that are of a secondhand nature (Creswell 1998:18).

The study used information from online reports on agricultural co-operatives programmes in the Nkonkobe municipality, journals, documents, annual reviews and books. These documents were used to augment the findings from the field. Secondary sources were based on empirical research that was previously researched by other scholars. This helped the research to formulate hypotheses from previous researches.

#### **4.6 Data Analysis**

According to Mouton (2001:108-109), data analysis involves 'breaking up' the data into main themes, patterns, trends and relationships. The aim of analysis is to understand the various constitutive elements of one's data and to see whether there are any patterns or trends that can be identified or isolated, or to establish themes in interpretation. In this way, the researcher had to categorise order, manipulate and summarise the data in order to obtain answers to research questions. The qualitative data gained from the respondents was transcribed and analysed thematically. The

themes mentioned are inadequate funds, insufficient water supply, and shortage of farming equipment, inadequate farming land, transport problems and poor marketing places. This means that the gathered data was grouped into themes which comprised of broad and specific categories.

**Table 4-2. The total number of co-operatives, respondents, gender and age**

<b>Name of co-operatives</b>	<b>Location</b>	<b>Number of Males</b>	<b>Number of Females</b>	<b>Age</b>	<b>Total</b>
<b>Selimathunzi</b>	<b>Khayaletu</b>	<b>2</b>	<b>1</b>	<b>18-40</b>	<b>3</b>
<b>Wuduza Zolani</b>	<b>Skhutshwana</b>	<b>9</b>		<b>18-50</b>	<b>9</b>
<b>Zamukulunga</b>	<b>Lloyd</b>		<b>7</b>	<b>30-50</b>	<b>7</b>
<b>Madanyana</b>	<b>Krwakrwa</b>	<b>4</b>	<b>1</b>	<b>40-60</b>	<b>5</b>
<b>Vulimfundo</b>	<b>Lloyd</b>	<b>3</b>	<b>6</b>	<b>31-60</b>	<b>9</b>

<b>Masinedane</b>	<b>Msobomvu</b>	<b>4</b>	<b>6</b>	<b>31-60</b>	<b>10</b>
<b>Siwa-sivuka</b>	<b>Msobomvu</b>	<b>1</b>	<b>2</b>	<b>30-60</b>	<b>3</b>
<b>Ntsikane</b>	<b>Emagaleni</b>	<b>1</b>	<b>2</b>	<b>30-60</b>	<b>3</b>
<b>Somgxada</b>	<b>Ntselamanzi</b>	<b>1</b>	<b>3</b>	<b>40-60</b>	<b>4</b>
<b>9</b>	<b>9</b>	<b>25</b>	<b>28</b>		<b>53</b>

#### **4.7 Methodological challenges**

Five of the respondents in the focus groups could not be interviewed because of time constraints, some were doing fieldwork or travelling and others refused to be interviewed since they had already been interviewed before in a similar but unrelated study. This did not affect the study and its outcome since the majority of the focus groups members were available and their views were taken to be representative of the farmers who are involved in production in the Nkonkobe agricultural co-operatives.

#### **4.8. Ethical Considerations**

The researcher obtained an ethical clearance from the University of Fort Hare and complied with the rules and regulations. The researcher has properly acknowledged sources. During the study the researcher clearly explained that no names were going to be revealed since the study is entirely academic. The researcher explained to the participants that the interview was voluntary and anyone was free to withdraw from the interview at any time. This research involved the collection of delicate data from individual people whose rights must be observed at all times. As such, the researcher treated the respondents with dignity.

This was done through upholding the principles of voluntary participation, informed consent, and confidentiality. In line with these principles, participants were not coerced to take part in this study. Those willing to participate could do so with the knowledge that they could refuse to participate at any time. Above all, consent was first sought from participants prior to the interviews and all responses were to remain confidential in that they could not be shared with neighbours, friends and any part of people from the corporate sector. In this respect, participants' anonymity was assured. Above all, data gathered was not falsified and information gathered from secondary sources was referenced appropriately.

Punch (2005) argues that all social researches involve ethical issues. This is because the research involves collecting data from people and about people. Ethics are

concerned with what is right or wrong in the conduct of research and the observation of ethics can never be overemphasized in social research (Mouton, 2001).

#### **4.9 Conclusion**

This chapter is mainly concerned with methods and techniques that were used to collect data in the field. The sample of the study was drawn from 9 co-operatives in the Nkonkobe Municipality. Using purposive and snowball sampling, the researcher interviewed 53 participants. Out of the 53, 28 of them were females while the remaining 25 were males. All of them were adults and snowball sampling helped to identify those who participate in the co-operatives through the referral chain. The study used interview guides. The researcher interviewed 3 focus groups but was disadvantaged in that it was time consuming as the participants were busy with workshops and fieldwork. Data was interpreted using main themes namely: inadequate funds, insufficient water supply, and shortage of farming equipment, inadequate farming land, transport problems and poor marketing places. The study mentioned research designs and ethical considerations from the University of Fort Hare Ethics Committee which shows the purpose of the study. The researcher considered ethical issues as these helped as guidelines on the structure of the research. Ethical issues include among others acknowledgement of sources, consent forms and the assurance of identity protection of the participants. The aspects of confidentiality were outlined during the interviews. The researcher signed consent forms before carrying out interviews. During the study it was explained that the information given will be kept confidentially since no personal details, contact and physical address will be required as the study is for academic purposes only.



## **Chapter 5: Data Presentation, Analysis and Findings/Conclusions**

### **5.1 Introduction**

This chapter presents and analyses data that was collected from the field based on the methodology that was articulated in Chapter 4. The study's findings are presented in thematic forms. Main themes that were derived from the study include the role of agricultural co-operatives in the Nkonkobe Municipality as well as challenges faced by these cooperatives such as poor marketing places, transport problems, shortages of farming equipment, inadequate funds and poverty, insufficient water supply, and inadequate farming land which are inhibiting the cooperatives from contributing to food security.

The identification of main themes provided an understanding of the difficulties that are hindering these cooperatives from contributing to food security. The findings are discussed within the context of the two theoretical frameworks underpinning this study thus the Basic Needs and the Sustainable Livelihoods Approaches. The findings are discussed in line with literature review, statement of the problem, research questions and objectives. The discussions below are the views of participants from field work.

### **5.2 The role of agricultural cooperatives in the Nkonkobe Municipality**

Agricultural co-operatives play a number of roles in the Nkonkobe Municipality. In this regard, the researcher began by exploring the views of the participants regarding these roles of agricultural cooperatives in the Nkonkobe Municipality. The following are the roles of agricultural cooperatives based on the views of the participants.

The responses of participants 1, 3, 6 and 9 were analyzed under this category because they were related to the theme.

Participant Number 1: *“the co-operatives are helping us to access vital agricultural inputs such as seeds, fertilizers, pesticides”*

Participant Number 3: *“Co-operatives help to promote food security through creation of employment among local citizens”*

Participant Number 6: *“They facilitate the marketing of our agricultural produce. Our goods are marketed collectively by the co-operative hence we incur less marketing costs.*

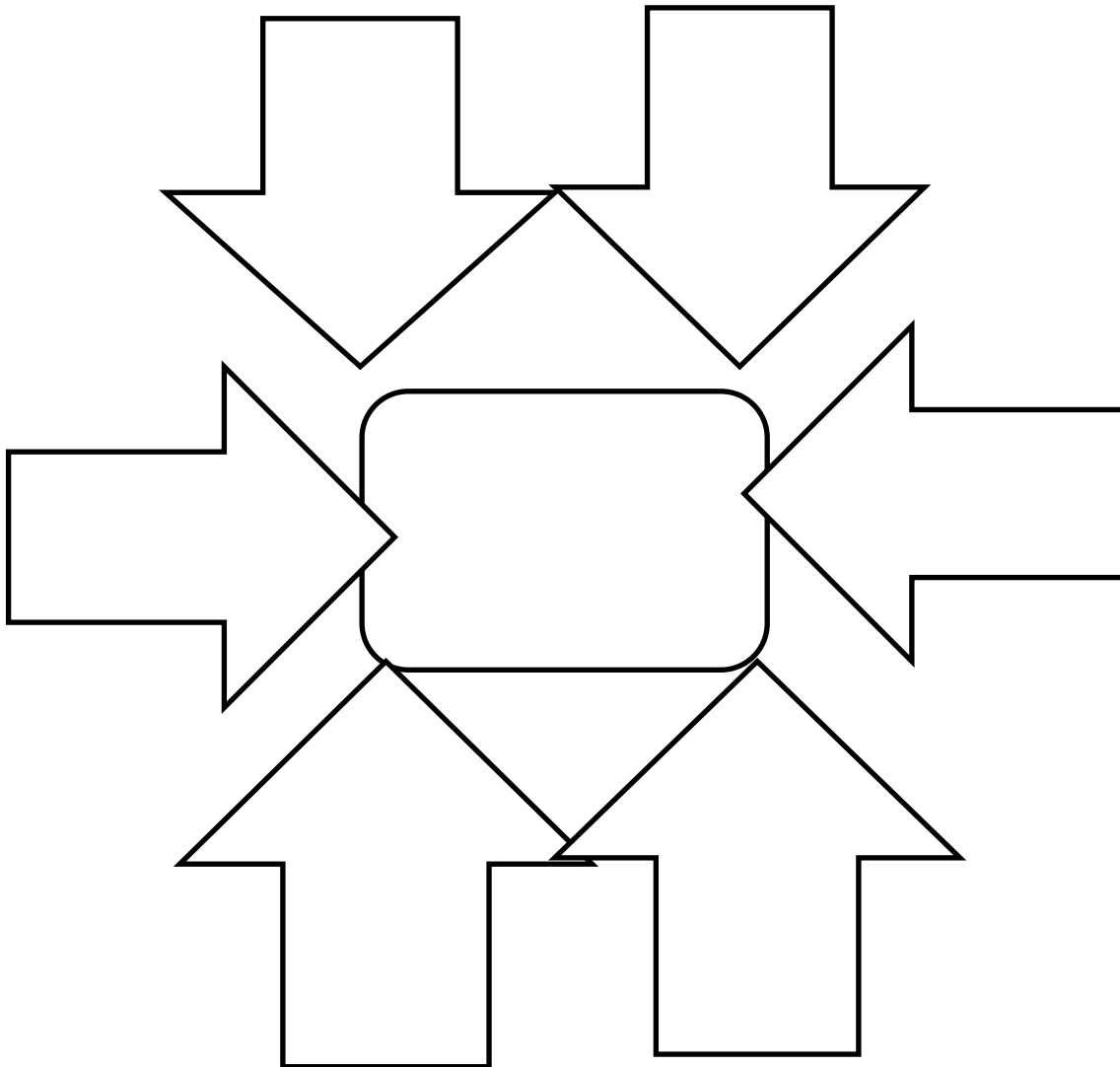
Participant Number 9: *“Co-operatives help us to get funding in the form of loans and credits”*

The responses from these participants highlight the fact that co-operatives are playing a role in the welfare of the Nkonkobe municipality residents although these cooperatives are underperforming in terms of contribution to food security. The following are the main roles of co-operatives as articulated by the participants: they create employment for the local, for instance, Wuduza Zolani community project that engages in various farming projects and helps with the employment of most of the locals. Creation of employment for the poor people is one of the crucial avenues through which proponents of the Basic Needs Approach aim to eradicate poverty.

Cooperatives thus provide the people in the Nkonkobe Municipality with opportunities to earn income. The BNA realign development efforts to its core objective which is to provide all humans with the opportunity for a full life and the agricultural cooperatives

are fostering bottom up development through increasing accessibility of crucial basic needs to the people of Nkonkobe Municipality. For some, agricultural cooperatives are facilitating the marketing of agricultural produce from the co-operatives. When goods are marketed in bulk by the co-operatives, members of the co-operatives incur less marketing costs. Co-operatives help the members to get funding from different financial institutions and well-wishers. Co-operatives also help to enlighten members about how they can source funding for their projects from different financial institutions. This collective aspect in the operations of some of the agricultural cooperatives in the Nkonkobe Municipality is in line with the Sustainable Livelihood Approach. One of the critical roles that the agricultural cooperatives play is to put the poor in a position where they make group decisions and individual decisions (Chambers, 1983). The above analysis reflects that agricultural co-operatives play a limited role in the Nkonkobe Municipality. Much need to be done to open access to inputs and equipment, funding and marketing which augment agricultural productivity.

**Table 5-1 Themes derived on the causes of food insecurity in Nkonkobe Local Municipality**



The diagram above clearly depicts the various themes that were derived in the study based on the responses of the participants. These themes include inadequate funds, insufficient water supply, and shortage of equipment, inadequate farming land, poor market places and transport problems. These themes are interlinked and have a direct bearing to food security. The themes are discussed below.

### **5.3 Challenges encountered by agricultural co-operatives in promoting food security in the Nkonkobe Municipality**

The challenges that are inhibiting co-operatives from contributing to food security are interlinked. These challenges if not dealt with may derail the chances for sustainability and continuity of the Nkonkobe agricultural cooperatives by limiting their potential to provide opportunities for accessing basic needs and sustainable livelihoods. The need for sustainable agricultural co-operative can never be underestimated. Sustainability is a challenge in agricultural co-operatives because of transport problems, erratic rainfall patterns and little or no mechanization at all. A co-operative (considered a livelihood source) is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets, while not undermining the natural resource base (Chambers and Conway, 1992:7).

The challenges of co-operatives are discussed based on the participants' view as follows: poor market, transport problems, lack of equipment, and shortage of farming equipment, inadequate funds, insufficient water supply, and lack of adequate farming land.

#### 5.4 Poor market

A market is one of the many varieties of systems, institutions, procedures, social relations, and infrastructures whereby parties engage in exchange. While parties may exchange goods and services by barter, most markets rely on sellers offering their goods or services (including labor) in exchange for money from buyers. In a summarized version it can be said that a market is the process by which prices of goods and services are established (Mishkin, 2015:58). The following are the views of participants regarding the market challenges of agricultural co-operatives in the Nkonkobe Municipality.

Among the participants interviewed one said, *“we are not in contact with big companies, we are selling locally sometimes we don’t see the profit since people rush to buy at large companies”*.

One of the respondents said that *“the failure occurs in the project because we have few potential buyers”*.

Participants revealed that they need to be in contact with big companies to collect the products from the project. The findings established that eighty percent (80%) of respondents blamed poor markets as the major cause of food insecurity. Poor markets leads to villagers not able to dispose all their produce at the right prices thus they have low profit on the products that they sell.

One of the respondents said that *“Big companies sell their products at very low prices and hence we are forced to sell our products at these low prices as such we get less profit”*.

The participants revealed that they are facing difficulties in marketing their produce due to competition from big companies. Furthermore, the market is difficult to access since most of the co-operatives are located in remote areas that are difficult to reach. The participants do not have a better understanding of the market hence there are no market places in rural areas for them to get more profit. They indicated that there is need for serious marketing and advertising to realize better profits. Respondents suggested that as a possible solution, co-operatives need to contract reliable markets and also communicate with supermarkets and other able customers to collect produce from their co-operatives since they lack transport to deliver the produce. Therefore, the study clearly reflects that most of the co-operatives are forced to reduce their level of production because the market is not developed enough to absorb all their goods and this prevents the agricultural cooperatives from contributing to food security in the Nkonkobe Municipality. Bijmen et al (2007) states that farmers in developing countries generally face bigger risks than their counterparts in industrialized countries. This is largely because they are vulnerable to marketing risks due to price fluctuation and opportunistic buying behavior.

## **5.5Transport problems**

Thirty percent of participants said that they faced challenges in getting transport to ferry their products to the market. They argued that they had to pay high fares to hire trucks

to ferry their products and they end up making less or no profit at all from their sales and this inhibits the cooperatives from contributing to food security in the Nkonkobe Municipality. One of the respondents in one of the co-operatives stated that *“during the farming season we have to hire cars or use wheelbarrows to sell our produce”*. The other respondent stated that *“we pay R150-R200 to hire a car, it depends on the farming season, if we produce a lot of vegetables we get profit, sometimes we produce little and we don’t see a profit and that is costing us in terms of paying the rental car”*

The participants said they have been appealing for government assistance in terms of transport for the past 5 years but no help has been forthcoming. The bureaucratic structure of government is handicapping the government from responding proactively to the needs of the co-operatives.

Another respondent said *“roads that lead to our co-operatives are in bad state and hence most transport operators were unwilling to come and collect their goods. Sometimes we spend one or two weeks trying to negotiate with transport operators to come and collect our products”*

One can note that transport problems are subsequently causing delays which are costly to the co-operatives. This is chiefly because some of the products (such as tomatoes, maize cobs and vegetables) are highly perishable and they need to be transported instantly to the market. Therefore due to transport difficulties some of the products reach the market when they are almost or already perished and as such they fetch less or no value at all. Thirty three percent (33%) of participants said that they did not face transport difficulties. Some of the participants conceded that they used their own



vehicles to ferry their goods to the market. Some said that they were located close to their markets and hence they were charged less fares for hiring trucks to ferry their products to the market.

## **5.6 Shortage of farming equipment**

Amongst the participants interviewed the majority eighty percent (80%) said that they do not have enough equipment to carry out their farming projects. This is a serious drawback to production in the agricultural cooperatives and this leads to food insecurity as less produce is registered under these circumstances. The participants revealed that they needed equipment such as tractors, harrows, plough discs, irrigation pipes and hoes. They could not access this equipment due to lack of funds and hence they had to use the few obsolete equipment that is available to them. Lack of equipment meant that the members of co-operatives have to spend a lot of time doing tasks that can be done in a short space of time if equipment is available.

One respondent said *that “we don’t have proper fencing, livestock and wild animals destroy our products we need help from the government”*. Another respondent mentioned that *“we do not have storage to keep the equipment, members use equipment for personal use”* One member said that *“Each member brings his or her equipment due to the shortage of equipment”* One of the respondents shared that *“we leave our equipment in the project but we notice that there are people stealing them”*. There is a challenge of farm equipment and the respondents cannot see the progress in the project.

About twenty percent (20%) of the respondents said that they had enough equipment to carry out their farming activities. Members of these co-operatives said that they had won awards for best cooperatives in different years and got prizes of an assortment of agricultural equipment from NGO's, government, department of agriculture, members of parliament and different horticultural companies. Other respondents said that they had appealed to different organisations in different sectors for funds and they had also opened savings accounts for their co-operatives where each individual was supposed to deposit a significant amount on monthly basis. A small number of respondents highlighted that they managed to raise funds to buy machinery and equipment through this way.

## **5.7 Insufficient Water Supply**

Eighty percent (80%) of the respondents do not have access to water for irrigation. The participants rely on rain fed agriculture experience challenges such as water logging due to poor drainage status of the soils as well as the unreliability of rainfall. Those who particularly rely on rainfall for their activities mentioned the seasonal type of their activities, that they cannot plant during the dry season and therefore this translates into a loss of income and generally to food insecurity in the Nkonkobe Municipality. The lack of reliable water resource and/or irrigation equipment leading to dependence on rainfall to irrigate their crop was also highlighted. The lack of irrigation equipment leads them to use the tedious bucket system of irrigation from nearby streams, rivers or dams. This prevents the cooperatives from contributing to food security thus causing food insecurity.

One of the respondents mentioned that *“we rely on rain fed water for our crops if there is no rain it becomes dry and if it rained the soil becomes wet”*

The second respondents said that *“we collect water from a dam or river to water our crops using containers”*

South Africa is generally dry with over sixty percent (60%) of the country receiving less than 500mm of rain per annum on average and with only ten percent (10%) receiving more than 750 mm (World Bank 1994 cited in Cousin, 2012:5). The importance of irrigation farming in South Africa is underscored by the fact that the irrigated eighty percent ( 80%) of land under crop production contributes almost thirty percent ( 30%) of total agricultural production (Bavkerberg, 2006: NDA, 2007; Hope et al., 2008). Smallholder irrigation accounts for about 0.1 million hectares (about eight(8%) of total irrigated land in South Africa (Tlou et al., 2006: NDA, 2007: Van Averbeké et al., 2011).

Government, donors and Non-Governmental Organizations are not sufficiently supporting the agricultural cooperatives in the Nkonkobe municipality. There is need for intensive support from all interested stake holders and this support should lead to the full mechanization of the agricultural cooperatives so that food security can be enhanced. Mechanization will ensure that cooperatives are sustainable and that they contribute to food security. This is because if agricultural co-operatives are mechanized production yields will significantly increase and hence guarantee food security.

The respondents reflected that they are eager to engage in farming activities all year round but that they do not have proper equipment for irrigation to sustain their winter

crops. Unavailability of irrigation equipment is a drawback to production on the agricultural cooperative's productivity and should be dealt with if cooperatives are to contribute to food security in the Nkonkobe Municipality. It is clear from the findings that the co-operatives need irrigation equipment to draw water for agricultural purposes during dry seasons and droughts. Irrigation farming is imperative in South Africa as rain fed crop production is inherently risky due to unreliable rainfall and frequent droughts Cousins, 2012).

## **5.8 Inadequate funds**

Other challenges highlighted by the participants are lack of funding. Due to lack of funding most of the agricultural co-operatives lack self-sustainability and continuity hence are unable to contribute to food security. They indicated that they have to pay a lot of money for both capital and consumable inputs, for example, tractors to till the land and seeds for planting.

The respondents stated that *“we went to government several times requesting for funds there is no response, they only provided us with consumables and that was a long time”*.

Also the respondents opened up that *“we contribute R20.00 per month to keep the project progressing and we get money from our grants”*

One of the respondents revealed that *“we still have copies of the letter that we wrote to the Department of Agriculture and the Department of Social Development until now they have not responded to our request.”*

## 5.9 Lack of adequate farming land

Seventy percent (70%) of the respondents do not have permanent land that belongs to the project, at the moment they are using someone's land and they live under the uncertainty and fear of being chased away anytime.

The respondent mentioned that *“we do not have enough land; each member has got his/her own plot. We have a challenge when members do not keep their plots clean and they develop weeds. That can however be mitigated by calling a meeting to address the issue”*.

The second respondent shared that *“the soil we are using does not produce a good quantity of crops and the vegetable are being eaten by the insects.”*

The third respondent said that *“challenges are soil infertility, poor drainage, plot ownership conflicts as well as pests and diseases and these could be mitigated by having soil testing to determine soil nutrients needs so as to get chemicals from the Department of Agriculture”*. Smallholder farmers have low resources endowment and tend to be highly vulnerable to production and other risks due to natural conditions and climate (Bijmen et al 2007).

It is notable that smallholder farmers use poor methods of farming and hence over the years the soils end up losing fertility (Bijman et al 2007). The lack of adequate farming land and poor quality of soils is affecting the yields and this is one of the major reasons why there is food insecurity in the Nkonkobe Municipality. This should be addressed

through assistance of government, NGO's and other stake holders if food security is to be maintained in the Nkonkobe Municipality.

### **5.10 Conclusion**

However, it is worthy to note that agricultural cooperatives are playing an important role in the welfare of the Nkonkobe municipality residents although these cooperatives are underperforming in terms of contribution to food security. They facilitate the marketing of the produce and access of inputs and loans by the members and in creating employment. The challenges that are hindering the effectiveness of agricultural cooperatives are inclusive of unavailability of water resources and irrigation, transport difficulties, shortage of land and poor quality soils inter alia. According to the Sustainable Livelihoods Approach for people oriented development strategies to be effective and for there to be sustainable livelihoods five types of assets/capital must be made available: human, social, political, physical and financial capital. These assets need to be provided in order to overcome the challenges and also strengthen the cooperatives' contribution to food security. There is need for assistance from the government, Non-Governmental Organizations (NGOs) and other interested stake holders in order for these challenges to be dealt with so that the cooperatives can contribute to food security.

Furthermore, there is need for government to further strengthen the projects, offer training and develop skills as well as run workshops in the communities in order to

ensure that there is continuity and sustainability of the agricultural projects as far as maintaining food security is concerned.

Be that as it may, there is potential for Co-ops to play an important role in Nkonkobe. These include helping the local residents through creation of employment and facilitating the marketing of agricultural produce from the co-operatives. The co-operatives can help the members to get funding from different financial institutions and well-wishers. They can also help to enlighten members about how they can source funding for their projects from different financial institutions.

## **Chapter 6: Conclusion and Way Forward**

### **6.1 Conclusion**

The agricultural cooperatives in the Nkonkobe Municipality are not contributing to food security due to a number of challenges for example lack of transport, funds, poor soils, and the unavailability of irrigation equipment among others. Such challenges are a threat to the sustainability and continuity of the cooperatives. The government assistance to agricultural co-operatives is deficient since it does not cover all the resources required by village farmers. The study has shown that most of the agricultural co-operatives farmers in the Nkonkobe municipality lack adequate funds, proper marketing places, transport, sufficient skills and infrastructure to carry out their agricultural activities effectively. As such these challenges hinder the cooperatives to provide enough so that the basic needs and essential services of the local people can be met.

According to the basic needs approach, for poverty to be alleviated and human development enhanced people should secure access to minimum level of consumption of certain basic goods and services such as: shelter provision, food, clothing, access to sanitation and clean water (McGregor, 1981:5 Max-Neef, 1987:13). The basic needs approach mainly focuses on the importance of poverty eradication as one of the most objective the community development should focus on, and also the poor people being. However the aforementioned challenges inhibits the agricultural cooperatives from guaranteeing the availability and accessibility of food at all times by the Nkonkobe residents the major participants in their own development activities (Max-Neef, 1987).



Agricultural cooperatives in the Nkonkobe Municipality provide limited avenues for the participation and ownership of the projects by the poor. The study has shown that the majority of the farmers depend on rain-fed agriculture which is not sustainable since they have to wait for the rain season to carry out their farming activities. This situation compromises the agricultural cooperatives' potential to contribute to food security especially during the dry season.

One of the theories that guide this study 'the sustainable livelihoods approach' provides a crucial understanding of agriculture as an important basis for the sustainability of food security intervention. This theory has been used to understand the reasons behind the challenges faced by the agricultural co-operatives.

The literature reflected that co-operatives contribute significantly to the national economic development of many countries around the world. They are some of the institutions that play a crucial role in maintaining and creating new jobs and thus securing family incomes. In Africa co-operatives are found to be major contributors of GDPs particularly in countries like Kenya and Tanzania. Most African governments found co-operatives useful and acknowledged that they should be liberalized and function without much of state control (Wanyama *et al.*, 2008:4). Moreover agricultural co-operatives enable farmers to pool limited resources together for the members' benefits. Agricultural-based co-operatives account for a significant part of agricultural production in Africa. They promote an exchange economy by helping develop markets

in remote rural areas (Wanyama *et al.*, 2008:4). This positive outlook of cooperatives from Africa and the world over as the engine of growth and development is not the same as what is manifesting in cooperatives in the Nkonkobe Municipality. Rather the cooperatives are failing to contribute to food security and are registering meagre production outcomes as a result of some bedeviling and delimiting factors such as lack of agricultural equipment, reliance on rainfall which is erratic, lack of arable fertile land among others.

## **6.2 Way forward**

Co-operatives basically have an ethical basis grounded in the idea of self and collective empowerment, which is an important tradition of learning from experience and practice that would also have to be passed on to generations (Satgar, 2007: 20). Generally cooperatives are found to be playing an important role in the development of rural communities through among others helping to increase food availability in the households. However cooperatives in the Nkonkobe Municipality are blighted by a myriad of challenges that are preventing them from performing this role (contributing to food security). In this regard the study suggested the way forward that can be taken to equip these co-operatives so that they can contribute to food security.

Agricultural co-operatives in the Nkonkobe have limited access to the market, the products they produce are being sold exclusively to the local community, there is lack of transport to sell their product outside their communities, and they use wheelbarrows to sell their products. In order to sell their products profitably those products must be of

good and acceptable quality so that they are able to compete with others on the market. However, it is difficult for cooperatives in the Nkonkobe Municipality to produce quality products because they do not have control over resources such as water and land and are also plagued by the aforementioned challenges. This literally shows that the co-operatives are not well funded and supported hence the study recommends that the government should create a lending institution particularly for co-operatives as the Tanzanian government did. The Tanzanian government created the Savings and Credit Cooperatives Societies (SACCOS) in the 1980s as a mechanism of promoting access to financial services to poor rural people who are not assisted by formal financial institutions (Triodos Facet, 2011).

The literature has shown that the development of co-operatives in Eastern Cape is undermined by lack of skills among practitioners which is also inhibiting productivity and causing food insecurity. The study suggests that it would be necessary especially for the government to further strengthen the co-operatives through offering training programmes. These programmes will offer training and develop skills, organise workshops facilitated by academic institutions such as the Department of Agricultural and Rural Development Research Institute (ARDRI) at the University of Fort Hare and Fort Cox Agricultural College, NGOs and agricultural extension officers. Such efforts will ensure that these cooperatives enhance the participation of people in planning their livelihood intervention options and also that the development is people-centered thereby raising the human capital status of households which is consistent with the Sustainable Livelihood theoretical framework.

The study has shown that co-operatives in the Nkonkobe local municipality normally rely on seasonal rainfall for their agricultural activities. This obviously means that the production is not guaranteed all year round hence there is food insecurity. This is one of the major constraints faced by the co-operatives. The Sustainable Livelihood Approach pinpoints the availability of natural and physical capital such as land, water, air, biological resources, livestock, irrigation canals, buildings and environmental services as crucial for constructing livelihoods. In this regard, the study suggests that the government or the municipality should build sustainable water sources like dams as well as provide taps in the community to boost productivity all year round in the agricultural cooperatives hence guaranteeing food security.

The other challenge that is preventing the agricultural co-operatives in the Nkonkobe local municipality from contributing to food security is the market problem as most of the emerging co-operatives attempt to utilize community demand as a basis for development. However, this might not always be sustainable hence co-operatives have to find other channels to promote their products. Consequently, the important marketing channel for co-operatives is to establish co-operative stores as part of consumer co-operatives, in town and city centres, to support producer co-operatives. An effective market will ensure that the producers will gain good profits and hence will be able to meet a wide array of basic needs chief among them food security. A good market will also ensure that the agricultural cooperatives are self-supportive and that there is continuity and sustainability (SLA). Profitability of the agricultural cooperatives is critical

in making sure that production does not become for consumption per se as critics of the Basic Needs Approach points out but rather contributes to local economic development. According to Satgar (2007), co-operative development is intra-governmental coordination hence the emergence of various government linked institutions to support co-operative development and policy trust in departments all constitute strength of the emerging government support system. However, these contributions need to be brought together in a synergistic way to strengthen learning from policy practice and should be institutionalized. In this regard the new co-operative Act (2005) provides for a national Co-operatives advisory board to be established to make recommendations on policy, strategy development challenges and other important issues related to co-operative development. From this point, the government needs to establish monitoring and evaluation strategies that will mitigate corruption, evaluate the developments as well as promote accountability.

Finally the study noted that it is important to enhance the multi class appeal of co-operatives and to ensure that co-operatives are able to attract people with different kinds of skills. In this regard, It is recommended that tertiary academic institutions should consider developing special degrees for co-operative managers, encouraging research and journals publications on co-operatives, developing text books and promoting the co-operative idea as part of development education. Also the curriculum in schools needs to provide for an understanding of the co-operative model and its role in development and empowerment.

More so, in terms of skills development, there is need for a national co-operative college in South Africa which should be set up to train co-operators, government officials, NGOs, and so on about co-operative practice. Such a college could also run specialized and advanced training courses for co-operative cadres that might want to specialize in particular areas of co-operative work. Building the human capital base is a crucial instrument through which the Sustainable Livelihood Approach proposes to build and enhance people's capabilities to enable them to have sustainable livelihoods and meet their basic needs.

The researcher made certain recommendation one of which was that a sustainable livelihood framework be adopted in order to ensure that agricultural cooperatives are funded and provided with the necessary assets such that they become a sustainable source of livelihoods and a provider of basic needs for the Nkonkobe residents in particular and South Africa at large. This success hinges on the principles advocated for by the approach which ensures that poverty is tackled from its all angles of deprivation. Besides the need for support from NGOs, government and the private sectors, members of cooperatives in the Nkonkobe Municipality should be proactive by becoming planners, initiators and executors of local development in order for any transformation to occur. The community have to change their behaviour and attitudes, be willing to accept change and to take ownership of the project.

### **6.3 Areas for further research**

There are areas that this researcher could not explore further because they fell outside the scope of this study but are of significance if agricultural cooperatives are to become the epicentre or engine of growth and local development in the Nkonkobe Municipality

and other municipalities in South Africa. Such areas include the mechanisation of agricultural cooperatives and cooperatives as the empowerment avenues for the poor. These areas need to be researched further.

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**University of Fort Hare**  
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### **ETHICAL CLEARANCE CERTIFICATE**

Certificate Reference Number: MON151SDYA01

Project title: **The role of Agricultural Co-Operatives in food security in the Eastern Cape: A case of Nkonkobe Local Municipality**

Nature of Project: Masters

Principal Researcher: Ncumisa Dyalvane

Supervisor: Dr PB Monyai

Co-supervisor:

On behalf of the University of Fort Hare's Research Ethics Committee (UREC) I hereby give ethical approval in respect of the undertakings contained in the above-mentioned project and research instrument(s). Should any other instruments be used, these require separate authorization. The Researcher may therefore commence with the research as from the date of this certificate, using the reference number indicated above.

Please note that the UREC must be informed immediately of

- Any material change in the conditions or undertakings mentioned in the document
- Any material breaches of ethical undertakings or events that impact upon the ethical conduct of the research

## Appendices - Interview guide

### A. Interview guide for household participants

Name of Cooperative: \_\_\_\_\_

Number of Members: \_\_\_\_\_

Location: \_\_\_\_\_

#### A. DEMOGRAPHIC INFORMATION

##### 1. Sex

Male	Female
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##### 2. Age

18-30 years	31-40 years	41-50 years	51-60years	61+ years
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##### 3. Marital status

Married	Single	Divorced	Widowed
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4. Level of education:

No formal education	Primary	Matric	Tertiary	Other (Specify)
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**B. COOPERATIVE OPERATION**

1. What are the aims and objectives of your project group?
2. Are these aims and objectives being achieved?
3. What are the changes after cooperative was formed?
4. Who is perceived as the main driver of the programme?
5. Highlight some of the challenges your project group is currently facing and what do you think could be done to mitigate these challenges?
6. How would you describe the conditions of cooperative contribution in household food security before the implementation of this programme?
7. What are the challenges associated with production input acquisition for your project group?
8. How do you think these challenges could be addressed?

**C. FARM WATER USAGE**

1. What are the challenges or constraints associated with irrigation system of farming with particular reference to your project site?

2. Other than the collective water usage, do project members use water meant for the group for individual purposes?
3. In terms of the maintenance of your irrigation facilities, who bears the financial burden? And explain your opinions in that regards.

#### **D. MARKETING OF FARM PRODUCE**

1. What kind of access do you have on markets?
2. How do you market your produce, individually or collectively?
3. How do you normally share the profit after selling your products?
4. Which gender has got high chances of being selected to participate and what might be the probable reasons this gender has high chances of being selected in the cooperative?
5. What are the challenges that you are facing as a cooperative?
6. In terms of transporting your produce to the market, who bears the financial burden
7. On the average how much do you normally spend in transporting on monthly basis?
8. How will you describe your project's production capacity with respect to market demand?
9. How do the records help in production?

#### **E. CREDIT FACILITIES**

1. What kind of access do you have on subsidies or credit facilities for the procurement of these production inputs?
2. How did you get money (capital) to invest in farm?

## **F. FARM EQUIPMENT**

1. What kind of assets you have?
2. How did you acquire your assets and other production equipment on your project site?
3. What are those challenges associated with maintenance of your assets and other production equipment?
4. Highlight the assistance you have received from the Department of Agriculture in the past and in recent time with respect to production input and equipment acquisition?
5. What type of assistance or support have you received from the municipality in terms of procurement of these equipment and production inputs?
6. What are some of the challenges associated with collective usage of land in your project group?
7. How do you think these problems could be mitigated?
8. Would you rather prefer individual land usage as opposed to the collective usage?
9. How do you handle dispute within your project group over which purpose the land is to be utilised?
10. What do you think could be done to address these challenges and constraints?

## **G. FARM INPUTS**

1. What are the need for partnership with private or public organization for the procurement of these inputs and equipment?
2. What aspect of your project group's functions would you like to see major improvements? Highlight

**THANK YOU FOR YOUR SUPPORT**