

**COLLECTIVE FARMING: ELEMENTS CONSTITUTING AN  
EFFECTIVE AGRICULTURAL CO-OPERATIVE, THE CASE OF  
THREE CO-OPERATIVES IN THE UMGUNGUNDLOVU DISTRICT**

**TR DLAMINI**

Submitted in partial fulfilment of the degree of  
Master of Agriculture (Food Security)  
African Centre for Food Security  
School of Agricultural Sciences and Agribusiness  
Faculty of Science and Agriculture  
University of KwaZulu-Natal  
Pietermaritzburg

March 2010



## ABSTRACT

Collective smallholder farming has been widely promoted as a vehicle for smallholder agricultural development in South Africa. As a result, agricultural co-operative registrations in South Africa are increasing. However, research suggests that South African co-operatives have generally not been effective, successful and functional. This study investigated the elements constituting an effective and functional primary agricultural co-operative among three smallholder agricultural co-operatives. It is expected that identification of these elements may enable institutions that offer support to co-operatives make better decisions to improve smallholder farming through primary agricultural co-operatives. Understanding of these elements could inform the efforts for members of co-operatives to achieve their set objectives and thus improve smallholder agriculture profitability.

Three rural agricultural co-operatives in the Local Municipalities of Mooi-Mpofana, Mkhambathini, and Richmond in the Umgungundlovu District Municipality were purposively selected for the study because they were registered agricultural co-operatives. Inyamvubu Co-operative (from Mooi-Mpofana) was larger in membership, and well established compared to Umphumela (from Mkhambathini) and Ingwe-Mndeni (from Richmond). The sample included the purposively selected members and non-members of agricultural co-operatives to explore the differences and provide insight to the knowledge, opinions and perceptions of collective farming. A framework for analysing the effectiveness of agricultural co-operatives was developed using literature of objectives of agricultural co-operatives, success factors of smallholder agriculture and organisational effectiveness. This framework was used to analyse the effectiveness of the three co-operatives. Focus group discussions, Force Field Analysis and a survey were used for data collection.

The study revealed that the three co-operatives have clearly defined group objectives aligned to those set out by the South African government. The main identified objectives of farming for the three co-operatives included; creation of employment and income generating activities, improving access to funding, strengthening market access and

strengthening human and community development. Activities carried out by the three co-operatives took advantage of opportunities in the value chain including production, marketing, and transportation of produce to markets. However, farmers' activities were hampered by a number of constraints. Production capability of the three co-operatives was hampered by resource constraints such as lack of access to land, machinery and equipment, finances and information relevant to production. Marketing, transportation and financial management capability of the three co-operatives was hampered by poor networking skills, poor infrastructure and low literacy levels. Management capability in the three co-operatives was challenged by complex group dynamics characterised by conflict of opinions and issues related to free-rider, horizon, and portfolio problems. Low capability of the three co-operatives to mobilise resources, use the limited resources available and low capability to manage institutional arrangements rendered the co-operatives ineffective in achieving their set objectives.

The study recommends strategies for ensuring the effectiveness of agricultural co-operatives. These include strategies for addressing internal and external issues affecting the co-operatives. Direct intervention from government was recommended to improve production through revising land allocation systems, improving extension services and strict monitoring of effective use of government resources provided to farmers. Government should improve access and training to relevant technologies to improve the processing and packaging capabilities of co-operatives. Marketing and management activities should be supported through provision of improved infrastructure and relevant training. Farmers themselves should consider pooling resources for market rental of crop land, engage in value added activities, and develop informed marketing programs and cost-effective distributing mechanisms. Farmers should elect an effective board of members that will ensure enforcement of agreements and constitution.

## DECLARATION

I, Thulile Rejoice Dlamini, declare that:

- The research reported in this mini-dissertation, except where otherwise indicated, is my original research.
- This mini-dissertation has not been submitted for any degree or examination at any other university.
- This mini-dissertation does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from those persons.
- This mini-dissertation does not contain other authors' writing, unless specifically acknowledged as being sourced from other authors. Where other written sources have been quoted, then:
  - their words have been re-written but the general information attributed to them has been referenced;
  - where their exact words have been used, their writing has been placed inside quotation marks and referenced.
- This mini-dissertation does not contain text, graphics or tables copied and pasted from the internet, unless specifically acknowledged, and the source being detailed in the mini-dissertation and in the references sections.

**Signed:** .....

**Thulile Rejoice Dlamini**

**Date**

As Research Supervisor, I agree to submission of this mini-dissertation for examination.

**Signed:** ..... **Date** .....

**Dr Joyce Chitja**

As Research Co-supervisor, I agree to submission of this mini-dissertation for examination.

**Signed:** ..... **Date** .....

**Prof Sheryl Hendriks**

## ACKNOWLEDGEMENTS

Acknowledgement is sincerely expressed for the assistance and co-operation of the following people who contributed to making this study possible:

In the first instance, I want to express my sincere thanks to my study Supervisor, Dr JM Chitja, for guiding me along the way and for her continuous remarkable academic support and encouragement. Thanks for your perseverance.

I am grateful for the valuable contribution and suggestions made by my Co-supervisor, Professor SL Hendriks, to this study.

I acknowledge the generous financial assistance from the National Research Foundation (NRF) and Thuthuka (Gun 2069829) for funding my study. Without this financial support, research would have been difficult.

I would also like to thank Ms N Ndlovu from the KwaZulu-Natal Department of Finance and Economic Development for providing me with invaluable information that I used for this study.

To members of the three co-operatives from Mooi-River (Inyamvubu co-operative), Richmond (Ingwe-Mndeni co-operative) and Camperdown (Umphumela co-operative), thank you for allowing me time to interview you and for your constant enthusiasm.

A special thanks goes to my friend Denver Naidoo who went out of his way to assist me in completion of my field work and for his continuous support and encouragement along this journey. Without your help, my research would have been extremely difficult.

I am grateful to my family, my parents for their encouragement and understanding even when my lack of contribution in some matters could have been deemed important for such a long period. I am grateful to my late brother, Muzi, who remained supportive and Phumlani for believing in me.

To my dear friends, my fellow students and staff from the African Centre for Food Security for their support and encouragement throughout the demanding moments of this study. Thank you for always being there for me.

Lastly, but not least, I need to extend gratitude and sincerely acknowledge that without God's grace, I would not have been able to be where I am with this study. I thank him above all else.

## TABLE OF CONTENTS

<b>ABSTRACT</b>	<b>ii</b>
<b>DECLARATION</b>	<b>iv</b>
<b>ACKNOWLEDGEMENTS</b>	<b>v</b>
<b>TABLE OF CONTENTS</b>	<b>vii</b>
<b>LIST OF FIGURES</b>	<b>xi</b>
<b>LIST OF TABLES</b>	<b>xii</b>
<b>LIST OF ABBREVIATIONS</b>	<b>xiii</b>

### CHAPTER 1 RESEARCH PROBLEM AND ITS SETTING

1.1 The problem and its setting	1
1.2 Statement of the problem	2
1.2.1 Sub-problems	2
1.3 Study limits	3
1.4 Study assumptions	3
1.5 Organisation of the mini-dissertation	3

### CHAPTER 2 LITERATURE REVIEW

2.1 Introduction	4
2.2 Understanding co-operatives	6
2.2.1 Origin of co-operatives	7
2.3 Objectives and activities of agricultural co-operatives	10
2.4 Determinants of collective action	12
2.4.1 Marketing advantage	14
2.4.2 Pooling of resources	14
2.4.3 Social benefits	16

<b>2.5</b>	<b>Empirical studies on successes of co-operatives in smallholder agriculture</b>	<b>16</b>
2.5.1	Empirical studies on failures of co-operatives in South Africa	19
<b>2.6</b>	<b>New Institutional Economics and co-operatives</b>	<b>20</b>
<b>2.7</b>	<b>Constraints facing smallholder agricultural co-operatives</b>	<b>21</b>
2.7.1	Market constraints	23
2.7.2	Skills constraints	24
2.7.3	Financial constraints	24
<b>2.7</b>	<b>Overview of success factors for smallholder agricultural co-operatives</b>	<b>26</b>

### **CHAPTER 3 CRITERIA FOR EFFERCTIVE AGRICULTURAL CO-OPERATIVES**

<b>3.1</b>	<b>Approaches for measuring organisations' effectiveness</b>	<b>29</b>
<b>3.2</b>	<b>Framework for analysing effectiveness of primary agricultural co-operatives</b>	<b>31</b>
3.2.1	Agricultural co-operatives' ability to mobilize and utilize the available resources	32
3.2.2	Agricultural co-operatives' ability to manage its challenges	34
3.2.3	Ability of a co-operative to meet its objective	34

### **CHAPTER 4 DESCRIPTION OF THE STUDY AREA**

<b>4.1</b>	<b>Introduction</b>	<b>35</b>
<b>4.2</b>	<b>Geographical location and rural infrastructure of the district</b>	<b>35</b>
<b>4.3</b>	<b>Inyamvubu co-operative</b>	<b>37</b>
<b>4.4</b>	<b>Ingwe-Mndeni co-operative and Umphumela co-operative</b>	<b>39</b>
<b>4.5</b>	<b>Umphumela co-operative</b>	<b>40</b>
<b>4.6</b>	<b>Sample characteristics of the survey participants</b>	<b>41</b>

## **CHAPTER 5 METHODOLOGY**

<b>5.1</b>	<b>Sample selection</b>	<b>43</b>
<b>5.2</b>	<b>Data collection methods</b>	<b>44</b>
5.2.1	Focus groups	44
5.2.2	Survey interviews	47
<b>5.3</b>	<b>Data analysis</b>	<b>47</b>

## **CHAPTER 6 RESULTS AND DISCUSSION**

<b>6.1</b>	<b>Objectives of the co-operatives</b>	<b>49</b>
<b>6.2</b>	<b>Activities of the agricultural co-operatives</b>	<b>51</b>
6.2.1	Production	52
6.2.2	Marketing	53
6.2.3	Transportation of outputs	55
<b>6.3</b>	<b>Reported advantages of co-operatives by the members</b>	<b>55</b>
<b>6.4</b>	<b>Reported disadvantages of co-operatives by members</b>	<b>57</b>
6.4.1	Clashing of opinions	57
6.4.2	Lack of members' commitment	59
6.4.3	Difficulty in managing groups	59
<b>6.5</b>	<b>Perspectives of non- members of co-operatives</b>	<b>61</b>
<b>6.6</b>	<b>Constraints to commercialisation faced by the three co-operatives</b>	<b>63</b>
6.6.1	Land	63
6.6.2	Poor provision of extension services	65
6.6.3	Lack of resources	66
6.6.4	Poor infrastructure	67
<b>6.7</b>	<b>Effectiveness of the three agricultural co-operatives as per their set objectives</b>	<b>67</b>

## **CHAPTER 7 CONCLUSIONS AND RECOMMENDATIONS**

<b>7.1</b>	<b>Conclusions</b>	<b>71</b>
<b>7.2</b>	<b>Recommendations</b>	<b>72</b>

7.2.1	Recommendations for consideration by institutions supporting co-operatives	72
7.2.2	Recommendations to be considered by members of co-operatives	74
7.2.3	Implications for further research	75

<b>REFERENCES</b>	<b>78</b>
-------------------	-----------

## **APPENDICES**

**APPENDIX A: QUESTIONNAIRE FOR FOCUS GROUP DISCUSSION**

**APPENDIX B: SURVEY INTERVIEW QUESTIONNAIRE**

**APPENDIX C: FOCUS GROUPS QUESTIONNAIRE FOR  
NON-MEMBERS OF CO-OPERATIVES**

**LIST OF FIGURES**

Figure 3.1	Framework for analysing the effectiveness of primary agricultural co-operatives	33
Figure 4.1	Map of Umgungundlovu District indicating (by arrows) study areas (Produced by the University of KwaZulu-Natal Geographic Unit, 2007)	36
Figure 4.2	An illustration of management hierarchy for Inyamvubu co-operative	38
Figure 4.3	Administration office for Inyamvubu co-operative, 2008	39
Figure 5.1	The researcher and some members of Ingwe-Mndeni co-operative, 2007	45
Figure 5.2	Force Field Analysis for the pros and cons of collective farming in Umgungundlovu District	46
Figure 7.1	Recommended strategies for improving effectiveness of smallholder agricultural co-operatives.	73

## LIST OF TABLES

Table 2.1	Core principles of co-operatives	7
Table 2.2	South African history of co-operatives	9
Table 2.3	Barriers and threats to success of smallholder farmer co-operatives	19
Table 4.1	Age of respondents in different co-operatives (n=65)	41
Table 4.2	Education level of respondent from different co-operatives (n=65)	41
Table 5.1	Data collection and analysis plan for each sub-problem	48
Table 6.1	Reasons for members' willingness to remain long term in Inyamvubu, Ingwe-Mndeni and Umphumela co-operatives, collected in 2008, n=65	51
Table 6.2	Types of vegetables grown from different co-operatives	52
Table 6.3	Disadvantages of collective farming: groups' perspective reported by Inyamvubu, Ingwe-Mndeni and Umphumela co-operative, 2008	55
Table 6.4	Table 6.4 Disadvantages of collective farming: groups' perspective reported by Inyamvubu, Ingwe-Mndeni and Umphumela co-operative, 2008	57
Table 6.5	Table 6.5 Actions taken by study co-operative members when dissatisfied in Inyamvubu, Ingwe-Mndeni and Umphumela co-operative, 2008, n=65	58
Table 6.6	Summary of important findings from non-members of co-operatives	62
Table 6.7	Evaluation of co-operatives; differences of Inyamvubu, Ingwe-Mndeni and Umphumela co-operative	69

**LIST OF ABBREVIATIONS**

DTI	Department of Trade and Industry
EFO	Ezemvelo Farmers' Association
FAO	Food and Agriculture Organisation
FFA	Force Field Analysis
ICA	International Co-operative Alliance
ISUE	Iowa State University Extension
MAFISA	Micro Agricultural Finance Institutions of South Africa
NDA	National Department of Agriculture
NGO	Non-Governmental Organisation
NIE	New Institutional Economics
PRA	Participatory Rural Appraisal
WASA	Waste Association of South Africa

## **CHAPTER ONE**

### **RESEARCH PROBLEM AND ITS SETTING**

#### **1.1 The problem and its setting**

Economic reform in South Africa has increasingly acknowledged a need for improving the effectiveness of smallholder agriculture. Collective action has widely gained recognition as a vehicle for smallholder agricultural development in South Africa (Mphahlwa, 2008). Government promotes co-operatives primarily to increase co-operative members' production and income, create employment opportunities, promote financial self-reliance and contribute to community welfare (Aliber, 2005). While rural farmers attempt to engage in agricultural activities, most individual efforts have not been sufficient to improve the situation for the resource-poor farmers (Machete, 1990). On the other hand, collective farming efforts in the South African smallholder agriculture sector have also not been effective and successful.

Sharp (2007) argues that unless smallholder farming succeeds, agriculture will have limited impact on reducing food insecurity and poverty. Research indicates that collective farming enables farmers to engage in joint efforts towards achieving different purposes (Makhura, 2001; Ortman & King, 2007). These different purposes are related to the nature of the activities and objectives that are specific to each group (Makhura, 2001). Ndlovu (2008) pointed out that the number of newly registered agricultural co-operatives in South Africa continues to rise. However, after registration, the co-operatives' functionality remains poor. While there are reported successes of agricultural co-operatives in other parts of the world such as Europe (Galor, 2004), South African efforts have not addressed smallholder farming constraints.

Smallholder agricultural co-operatives made up of the poorest households in South Africa face many challenges in their efforts to increase income and overcome food insecurity and consequently, most fail at very early stages (Machete, 2004). Some co-operatives remain in the sector without any significant progress (Erskine, 1991). Lack of access to

markets and resource constraints such as lack of access to credit and information, as reported by Lyne and Ferrer (2006), are still hampering South African smallholder agriculture. These constraints result in limited cases of successful agricultural co-operatives in the Republic of South Africa (Ortman & King, 2007). Attempts to engage in farming, particularly by the rural resource-poor communities, is a risky venture, owing to a number of operational and procedural factors (Machete, 2004). Collective farming presents even more prominent risks due to a number of structural issues that need to be considered (Kirsten, 1998).

However, successes, although limited in South African smallholders, are encouraging. Place *et al.* (2002) found that co-operatives are not uniform in their effectiveness and performances whether carrying out similar or different activities due to differences in factors affecting their capacity. Place *et al.* (2002) also pointed out that the number of studies conducted around rural collective action is growing. However, there are limited case studies that give sufficient documented information to understand the elements influencing effectiveness of agricultural co-operatives amongst rural resource-poor smallholder co-operatives in South Africa. There are therefore considerable empirical gaps to be investigated. An understanding of such elements is imperative for better policy and decision making with regard to interventions that are appropriate for improvement of smallholder farming through agricultural co-operatives. Ndlovu (2008) supported that such understanding is imperative for the KwaZulu-Natal province that has committed a large budget to supporting co-operatives (Ndlovu, 2008).

## **1.2 Statement of the problem**

Collective farming: What are the elements that constitute effectiveness in agricultural co-operatives among the three agricultural co-operatives in Umgungundlovu District?

### **1.2.1 Sub-problems**

The following sub-problems will be addressed in order to obtain the elements constituting effectiveness of smallholder agricultural co-operatives:

**Sub-problem 1:** What activities are carried out by the three agricultural co-operatives to meet their objectives?

**Sub-problem 2:** What are the advantages and disadvantages of collective action in the three agricultural co-operatives?

**Sub-problem 3:** What are the constraints faced by the three agricultural co-operatives?

**Sub-problem 4:** How effective are the three selected agricultural co-operatives?

### **1.3 Study limits**

The study was limited to a purposive sample of agricultural co-operatives recognised by the KwaZulu-Natal Department of Economic Development. The three co-operatives are not representative of the total population of registered agricultural co-operatives in the Umgungundlovu District. Therefore, findings of this study cannot be generalised for all the agricultural co-operatives of KwaZulu-Natal since only three cases have been investigated.

### **1.4 Study assumptions**

It was assumed that the information provided by farmers was correct even in the presence of co-operatives' leaders.

### **1.5 Organization of the mini-dissertation**

Chapter one of this mini-dissertation has described the problem under investigation, the sub-problems, study limitations and assumptions. A review of selected literature pertaining to issues relevant to this study is presented in chapter two. The geographical area in which the study was carried out is described in chapter three along with the characteristics of the sample included in this study. The criteria for effective agricultural co-operatives developed with key elements for measuring and assessing effectiveness of agricultural co-operatives is discussed and presented in chapter four. Chapter five describes in detail the methodology used to address the research problem. The Results and discussion of this study are presented in chapter six. The conclusions and recommendations are presented in chapter seven.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter presents a literature review related to agricultural co-operatives. Co-operatives are discussed, highlighting their role in agricultural development. The determinants of collective action in smallholder agriculture, particularly the reasons why agricultural co-operatives emerge, are discussed. Literature on collective action as drawn from the New Institutional Economics (NIE) is presented, clearly outlining the advantages and disadvantages of such action. Success factors of co-operatives in the context of smallholder agriculture are discussed, drawing evidence from empirical studies on the success and failure of agricultural co-operatives.

Co-operatives have been widely proclaimed as having a major role in rural agricultural development strategies (FAO, 1997). Department of Trade and Industry (DTI, 2005) defined a co-operative as "a self-governing association of persons, united voluntarily to meet their common economic and social needs and aspirations". The typical feature of co-operatives is collective action that is democratically controlled yet organised and operated on co-operative principles. Co-operatives, in the context of agriculture, play a significant role, not only in production, processing and marketing of agricultural products, but also in supplying agricultural inputs and services (Vitaliano, 1983; Place *et al.* 2002). In general, collective farming groups are aimed at operating as small-scale enterprises that play an important role in employment creation and income-generation for its members (Aliber, 2005). Promotion of self-help and community development is also an objective of agricultural co-operatives, but many remain dysfunctional and ineffective in achieving these objectives.

As pointed out by Aliber *et al.* (2006), the development of agriculture, including institutions dealing with this sector, is an urgent requirement. DTI (2004) argued that one of the most important institutions in promoting sustainable development of agriculture is agricultural co-operatives, supervised and managed by farmers themselves. Currently,

co-operative businesses are found in almost all continents of the world, from the developing nations of Africa, Asia, and South America to the industrial countries of Europe and North America (Galor, 2004). European countries have the most successful co-operatives that contribute significantly to the countries' economies (Phillip, 2003). Northern Europe, where the co-operative movement originated, has a strong agricultural co-operative presence (Zeuli & Cropp, 1980). Statistics show that Africa is the continent with the least number of registered co-operatives, particularly those that are successful (Foxall, 1982; ICA, 2005). However, there is an improvement in the cases of successful co-operatives with countries such as Kenya, which is leading in the co-operative movement of the African continent (Makongoso, 2009). Kenya as a largely agricultural country has organised its agricultural production and value chain along primary and secondary co-operatives. As reported by Mphahlwa (2008), the South African government remains committed to promotion and development of co-operatives. KwaZulu-Natal is a province with a larger number of registered co-operatives in comparison to other South African provinces and most of these co-operatives fall within the agricultural sector (Mkhize, 2009). Furthermore, KwaZulu-Natal has established a working relationship with Kenya and the Kenyan Co-operatives College in an effort to improve the performance and strengthening in KwaZulu-Natal (Thamaga-Chitja, 2010).

Despite the positive contribution of co-operatives towards addressing issues of market access by smallholders in the developed countries, smallholder agriculture in South Africa is characterized by co-operatives that generally, have not been successful (Ortman & King, 2007). The failure of agricultural co-operatives indicates the existence of constraints in smallholder farming and challenges that still need to be addressed (Machete, 2004). Smallholder farmers often face barriers to accessing resources, including credit and information, and their markets are often constrained by inadequate property rights and high transaction costs (Lyne, 1996).

On the other hand, success, although limited, of some co-operatives shows that there are benefits obtained from such associations. Nillson (2001) highlighted that it is worth reflecting upon what the co-operatives are experiencing and what influences their

effectiveness. Such information is imperative in strengthening co-operatives and finding better ways for external institutions to support and collaborate with them. Such understanding is also vital in informing efforts for the members of co-operatives to be successful in attaining their desired objective

## **2.2 Understanding co-operatives**

Literature presents numerous definitions of co-operatives but phrasing of the definitions varies from one source to another. The common characteristics that define a co-operative as defined by different authors (Nillson, 2001; DTI, 2005) include that co-operatives are:

- formed by groups of people
- aimed at fulfilling mutual needs
- self-governed and a democratically controlled enterprise.

As defined by (DTI, 2005), fundamentally, a co-operative is an organization formed by a group of people who work together voluntarily to fulfil mutual and common needs through running a democratically controlled enterprise. The current emphasis that sets co-operatives from other forms of enterprises their objective of servicing members more than profit maximisation (Prakash, 2004). Organisations such as agricultural co-operatives, as pointed out by Prakash (2004) have a considerable potential to respond to the needs of members thereby encouraging their participation through enabling them to make individual profits.

As classified by DTI (2005), co-operatives have different categories of primary, secondary and tertiary co-operatives. This study focuses on primary co-operatives, defined as autonomous associations of persons voluntarily united to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Major values from which co-operatives are based include self-help, self-reliance, self-responsibility, democracy, equality, equity and solidarity. Definitions and values of self-help clearly indicate that co-operatives are meant for the groups of people to empower themselves. Co-operatives operate on the guiding principles presented in Table 2.1.

---

**Table 2.1 Core -principles of co-operatives (DTI, 2005)**

---

- Voluntary and open membership
  - Democratic member control
  - Member economic participation
  - Autonomy and independence
  - Education, training and information
  - Co-operation among co-operatives
  - Concern for community
- 

All the principles presented in Table 2.1 needs to be understood by members if a co-operative is to be formed. These principles enable the differentiation between a co-operative run on co-operative principles and a normal business enterprise such as an investor-owned firm.

### **2.2.1 Origin of co-operatives**

Frederick (1997) reported that, co-operation has occurred throughout the world and throughout history. The co-operative, as a modern business structure, originated in the 19<sup>th</sup> century in Britain due to the Industrial Revolution that affected how business was organized. The Rochdale Society of Equitable Pioneers in Britain first set out the co-operative principles in 1844 (Frederick, 1997). The Rochdale Society was a group of workers representing various trades that formulated sets of policies that soon became a model for other co-operatives and have come to be known as the general principles that differentiate co-operatives from other business structures. In response to the depressed economic conditions brought by industrialization, people began to form co-operative businesses to meet their needs. People co-operated with others to help each other achieve objectives that they could not reach if they acted individually (Frederick, 1997). These co-operatives were seen as social and economic alternatives to the impacts of emergent industrial capitalism (Philip, 2003).

Most agricultural co-operatives in the United States originated in the early 1900s due to economic, farm organization and public policy factors (Cook, 1995). Co-operatives have continued to inspire people, and have endured and thrived in many African countries that are still developing. The main categories of agricultural co-operatives fall into

mainstream activities of agricultural undertaking including supply of agricultural inputs, joint production and agricultural marketing (Cook, 2005). Input supply includes the distribution of seeds and fertilizers to farmers. Co-operatives in joint agricultural production assume that members operate the co-operative on jointly owned agricultural plots. The third category consists of joint agricultural marketing of producer crops, where farmers pool resources for the transformation, packaging, distribution and marketing of an identified agricultural commodity.

Most agricultural co-operatives in the developing countries focus more on product marketing and input supply as opposed to production (Ortmann & King, 2007), but in some cases, agricultural co-operatives have combined both input distribution and crop marketing. There is growing evidence (Cook, 2005) for failure of production co-operatives such as the development projects in the former homelands resulting from the group dynamics such as sharing of labor involved in collective production. As such the smallholder in the South African context has a few successful agricultural production co-operatives (Ortman & King, 2007).

Agricultural co-operatives existed in the history of South Africa way before the entitlement of the rights to association (Philip, 2003). The difference between the historical and current co-operatives is in recognition and support provided by government (FAO, 2003). Table 2.2 outlines the sequence of events that occurred in the co-operative movement of South Africa. The South African government remains committed towards the promotion and development of co-operatives for the nation (Mphahlwa, 2008). Allocation of funds for assistance of co-operatives shows government's commitment to their promotion in South Africa.

**Table 2.2 South African history of co-operatives**

<b>Period (Year)</b>	<b>Event in the co-operative movement</b>
Late 1800s	White farmers organised themselves into agricultural co-operatives which marketed produce and procured inputs such as seeds, fertiliser and livestock
9 <sup>th</sup> Century (1892)	First establishment of co-operatives in Natal - the first province that adopted the co-operative practice in South Africa. The established co-operatives were Pietermaritzburg Co-operative Society and Natal Ceremony Limited (Barratt, 1989)
1908	Formulation of the South African Co-operatives' Act (Barratt, 1989)
1912	Establishment of the Land and Agricultural Bank of South Africa by government after Anglo-Boer war to provide loans for farmers (Smith, 1979). The bank strengthened the white farmers co-operatives established in the 1800s.
1970s	The black farmers' co-operatives started to be promoted as part of the apartheid plan to boost homelands. However such co-operatives did not get the state of support provided to white agricultural co-operatives and therefore they remained weak.
1994	South Africa became a democratic country; the constitution provided the right to association and the right to economic development. For the first time, all South Africans were entitled a right to pursue collectives and co-operative forms as equals (NCASA, 2003)
1997	Establishment of the NCASA as a body for bringing together all South African co-operatives. The NCASA emphasizes provision of high quality service, such as ongoing training, education and counselling of co-operative members. Mobilization of funds is also recognized as one of the important tasks that have to be performed (Ministry of Agriculture and Land Affairs, 1998).
2000	The Department of Agriculture embarked on a review process of regulations pertaining to co-operatives. The legislation was skewed in favour of agricultural co-operatives and hence the registrar of co-operatives' office was placed within the Department of Agriculture
2001	The cabinet took a decision to shift the responsibility for administration of co-operatives from the National Department of Agriculture to the Department of Trade and Industry. The shift was based on the recognised need to support and promote to the non-agricultural co-operatives that were emerging

Currently in the Republic of South Africa, the Micro Agricultural Finance Institutions of South Africa (MAFISA) is working in partnership with the Land and Development Bank to finance the agricultural co-operatives in the South African provinces. Ndlovu (2008) reported that the Department of Economic Development for KwaZulu-Natal works on a

mandate that approximately three new agricultural co-operatives should be registered every month. Inngs (2007) reported that the KwaZulu-Natal Department of Finance and Economic Development has given the Ithala Development Corporation R220 million over the past two years to finance 1 020 co-operatives. Agricultural projects are included in the kind of co-operatives that should be assisted by the Ithala bank. People can also access funds through a joint fund between the department and banks, under which the government and the bank each put up R25 million. Despite the financial assistance efforts by government, Ndlovu (2008) pointed out that more still needs to be done by the government departments to ensure success of co-operatives in KwaZulu-Natal.

### **2.3 Objectives and activities of agricultural co-operatives**

Co-operatives have emerged due to numerous objectives that government and farmers themselves aim to fulfil (DTI, 2005). The South African government acknowledges that a real, independent and economically viable co-operative movement and its membership have significant development potential to:

- create and develop income-generating activities and sustainable decent employment;
- develop human resource capacities and knowledge of the values, advantages and benefits of the co-operative movement through education and training;
- develop business potential, including entrepreneurial and managerial capacities;
- strengthen competitiveness as well as gain access to markets and institutional finance;
- increase savings and investment;
- improve social and economic well-being, taking into account the need to eliminate all forms of discrimination;
- contribute to sustainable human development; and,
- establish and expand a viable and dynamic distinctive sector of the economy which responds to the social and economic needs of the community (DTI, 2005).

Research points out that agricultural production groups are generally aimed at operating as small-scale enterprises and play an important role in employment creation and income-generation for members to achieve improved quality of life through self-help (Bembridge, 1997; Aliber, 2005). The role of agricultural co-operatives is realized through achievement of objectives that are difficult to meet when smallholders act individually (DTI, 2005). According to FAO (1997), one benefit for farmers in joint liability is the ability to gain access to funding. The individual farm households very often have no collateral and therefore members embark jointly to guarantee repayments. Marketing groups bring together input suppliers, producers and traders to ensure steady and timely delivery of agricultural produce, such as poultry, vegetables and dairy products. According to FAO (1997), it is important that farmers engage in co-operatives with common motives and a passion for farming.

According to Mohamed (2004), the activities of a co-operative are essential for the acquisition, utilisation and management of basic resources. These activities or processes are the fundamental elements for a vibrant co-operative. Previously, the primary function of the co-operatives was marketing of agricultural output (Kim & Mahoney, 2005). However, the actual activities of the co-operatives currently tend to take advantage of the whole value chain. Agricultural co-operatives in developed countries typically acquire finance and are involved in production, storage, processing, packaging, distribution and sales of agricultural produce (Marshal, 2005). Finance activities in co-operatives perpetuate capital, production activities create outputs, and overall activities are aimed at achieving the objectives (Murray & Konstantinos, 2003).

Prakash (2004) argued that agricultural smallholders should undertake value-added operations to increase income generating opportunities. Agricultural co-operatives are often viewed as appropriate means to facilitate vertical coordination with, or horizontal integration between smallholders who would have been excluded from value-adding opportunities and discriminating markets (Lyne & Collins, 2006). Value-addition is achieved through an efficient marketing strategy where basic products are transformed into other products that are in high demand in the market. A number of agricultural co-operatives in the developed countries have made tremendous progress in value-addition

through agro-processing and many countries have learnt from each other (Kirsten *et al.* 2002). Simple value-addition can be achieved through careful and systematic handling of product, its grading, packaging and transportation. Value addition is also achieved through attractive, informative branding and pricing clearly described on labels. According to Delgado (1999), smallholder farmers in Africa have not taken up the significant opportunities availed through value added products due to the lack of access to technology.

In South Africa, co-operatives provide services in various markets such as field crops, horticulture, livestock, trading of agricultural commodities, handling and storage facilities, marketing of farming equipment, manufacture and distribution of animal feeds, operating retail outlets, financial services products, sale and distribution of crop care products and packaging of agricultural produce (Liebenberg, 2000).

According to Prakash (2004), management, leadership and control activities are important and have a significant influence on dynamics in the co-operative. According to the Co-operatives' Act, co-operatives should be efficiently managed and controlled by a democratically-elected, trained boards of directors (DTI, 2005). Management and leadership activities assure initiation, coordination, supervision and evaluation activities. Effective management of any organisation should supervise performance according to the set standards and develop strategic ways of assigning and delegating members. Management should further ensure comparison of advantages and disadvantages of the alternative courses of action in the co-operative. According to Knight *et al.* (2003), good co-operative governance entails a management system that supports participation of all stakeholders and should be transparent, reliable, flexible, accountable, and enforceable, have integrity and be practical.

#### **2.4 Determinants of collective action**

Collective action means group action and therefore, collective action theory refers to activities that require the coordination of efforts by at least two or more individuals to further their shared interests (Sandler, 1992). Members' actions in collective action are

interdependent so much so, that one person's outcome is dependent on the action of others. Additionally, definitions of collective action unreservedly presume that there is some degree of collective decision-making in the pursuit of members' shared interests in collective action. According to Olson (1975), when markets fail due to imperfect information and high transaction costs, horizontal coordination can promote participation in local markets and competition in wider markets. Under the current South African system, promoted by government, of registration of groups as agricultural co-operatives, farmers grow and market produce collectively. Collective action is meant to assist smallholder engagement in markets, contributing to improvements in rural economies (Sandler, 1992).

Collective action may take varied forms, but its drivers seemingly encounter similar problems that may lead to indulgence of the drive and eventually its downfall. For example, most South African communal projects are organised around conventional co-operatives, as opposed to new generation co-operatives, and are fraught with free-riding problems, horizon, portfolio and control and influence problems. Nilsson (2001) and Cook and Illiopoulos (2000) have used the term traditional co-operative to refer to co-operatives operating according to principles presented in Table 2.1. Adoption of these principles ensures that the primary objective of the co-operative is to service its members, rather than long term profit maximization as in a non-co-operative business. However, modern co-operatives do not comply with these principles; they provide investors, including external investors in some cases, with dividends, capital gains and even voting rights. Therefore traditional co-operatives adopt modern co-operatives principles based on recognition of the equal importance of the member both as user and as a co-operative investor. Hence, adequate financing of co-operatives is fundamentally a pre-requisite for successful development of co-operatives.

Much attention has been directed to explaining collective action and the factors that support or discourage it. Success of collective efforts depends on the nature of the collective action problem, group attributes, institutional arrangements and external influences (Sandler, 1992). While acknowledging that emergence of collective action is a

complex phenomenon, it is plausible that individual behavior by means of collective action is influenced by costs and benefits of participation. Determinants and advantages of collective action include the market advantage, pooling of resources and social benefits.

#### **2.4.1 Marketing advantage**

Co-operatives can be effective when elements constituting effectiveness are clear and strengthened. Therefore advantages such as the market advantage of collective action in smallholder agriculture should be explored. Large-scale retailers such as supermarkets are looking for producers that have the potential to supply large quantities of product with uniform quality year-round. Globalisation has brought demands by retailers that are due to direct pressure from consumers. Consumers wish to always find the products they require, on the shelves in the same appearance and equal in quality to the previous purchase (Kirsten & Roets, 2005). A reliable supplier with consistent quality and quantity is crucial for large-scale retailers. It is highly unlikely that a single resource poor smallholder producer can meet the needs demand by large-scale retailers. If farmers work in groups and collaborate with other groups, the possibility of meeting the retailers' demands is improved (Christiansen, 1990). It is also important for co-operatives to collaborate with each other to ensure a high year-round supply. The ability to provide the huge supplies at all times becomes a privilege and enhances the power that smallholders wield when negotiating with large-scale retailers.

#### **2.4.2 Pooling of resources**

Resources such as land, transport, labour and machinery are important for farmer effectiveness in the market. According to Stringfellow (1997), agricultural co-operatives allow pooling of resources to invest in farmers' operations. This in turn helps farmers' co-operatives become more active market participants. He further argued that from the donor, government and NGOs, it is much easier to distribute resources to a group rather than individuals. It is highly unlikely that an individual resource-poor farmer would have sufficient individual resources to generate large quantities of produce. Co-operatives

allow farmers to pool plots of land into a single farming operation (FAO, 2001). Pooling of land helps to produce at scale with productivity gains and market advantage. Alternatively, diversification of activities, such as growing of different crops, can be carried out in the plots. Therefore, the potential of pooled land is far beyond the potential of any single farm business (Stringfellow, 1997).

Moreover, Lyne & Thomson (1998) pointed out that some smallholders are forced by circumstances such as unavailability of labor, not to farm their communally allocated land. The importance of an efficient rental market to transfer under-utilised cropland to households that are willing and able to farm it is therefore emphasized (Lyne & Thomson, 1998). Therefore, collective action in agricultural co-operatives allows an opportunity for smallholders to pool their resources and rent the under-utilised fertile land and market the produce collectively.

Farmers' co-operatives can also permit fuller utilization of machinery owned by one or more members (Stringfellow, 1997). Moreover, pooling of human resources and skills is another advantage. The National Department of Agriculture (2005) argued that the skills, interests and knowledge of co-operative members generally tend to differ. The differences in skills and levels of knowledge between members of an agricultural co-operative allow specialization of labour (Morris, 2001). In a co-operative, members can spend time on activities that suit them whereas a single farmer is obliged to carry out all activities on his own. Specialization of labour motivates members and motivates effective performance. If members specialize in the kind of work they do, flexibility in terms of working hours and time off is possible (Hedden & Mollel, 2001). Furthermore, the potential for coordinating individuals' work and establishing rosters over the week and year is possible in a co-operative. The advantage is that the absence of one member does not stop progress of any activities.

### **2.4.3 Social benefits**

Apart from attaining market advantages through co-operatives, there are associated social benefits. The co-operation option in agriculture and even in the other sectors offers learning and innovation. According to Gertler (2001), the co-operative environment increases opportunities for 'bouncing ideas around'. The diversity of individuals working together allows sharing of ideas resulting in higher levels of learning from each other (Morris, 2001). Greater teamwork can also offer important psychological and social benefits through increasing the possibilities for sharing with peers the emotional highs and lows associated with successes and failures (Marshall, 2005). Psychologically, individuals need to be appreciated for the work they have done and this is a need more than a want. The rewards of a co-operative are shared amongst the members and the same applies for the failures; it is highly unlikely for farmers in a co-operative to give up simultaneously. Given the diversity in personalities of members, some members will give hope to others in times of failure. Therefore, the perseverance of a co-operative is stronger than that of an individual. Amongst the social benefits of the agricultural co-operatives is the democratic nature of the co-operatives. Therefore, clearly the social element cannot be taken for granted when exploring elements that are of benefit to members and that contribute to the success and sustainability of the co-operatives.

### **2.5 Empirical studies on successes of co-operatives in smallholder agriculture**

According to Peacock & Jowett (2006), improvement in infrastructure is critical for growth of smallholder collective or individual producers in the context of America and Asia. Due to improved infrastructure, a range of market opportunities for smallholder producers are open and the linkages between producers and potential buyers have been improved. Such improvement has resulted in the ease of access to farmers by buyers and vice versa as a result of roads that are in good conditions and improved access to telecommunications. A study conducted by Prakash (2004) in the Asian Pacific Region concluded that success of agricultural co-operatives is enhanced by internal and external factors. The internal factors included having trained professional and motivated management and members, comprehensive programmes for members' education and

information and value-added activities through the use of advanced technologies. External factors included positive support and helpful role of the government, market reforms, availability of basic infrastructure and healthy linkages with regulatory and developmental agencies and institutions.

A study conducted in Mexico, investigated smallholder market participation in maize markets (Key *et al.* 2000). Selling to formal markets tended to significantly increase production and selling for smallholder farmers (Key *et al.* 2000). Results of the study further showed that ownership of certain assets, such as vehicles, assisted farmers reach potential buyers. In the Ethiopian highlands, a study conducted by Holloway *et al.* (2000) sought to identify alternative techniques affecting participation among peri-urban milk producers. One of the findings was that by locating producers closer to markets, travel costs to the markets could be minimised (Holloway *et al.* 2000).

Conclusions of the study conducted by Place *et al.* (2002) in Kenya showed that the conditions necessary for the success of smallholder agricultural co-operatives include that co-operatives should:-

- be member-driven, member-controlled and member-responsive;
- be managed by cohesive governance structures;
- undertake comprehensive programmes for member education in order to facilitate the process of members' participation, members' involvement and empowerment; and for training of staff and members of boards of directors; and,
- establish viable and strong linkages with external research and development or extension agencies in the field of agriculture and technology.

The study showed that the use of cell phones to distribute modelled market information such as prices, available markets and distribution channels through both text message and voice technology gives even illiterate small-scale farmers greater bargaining power when dealing with buyers (Place *et al.* 2002). A typical example is demonstrated through a study conducted by Moloji (2007), of commercialisation of vegetable producers in the Western Cape. The results of the study suggest that good market uptake, good product

demand and good quality supply causes high prices of produce implying good market growth opportunity.

A study conducted in South Africa by Prakash (2004) found that established the linkage between diversification, growth and membership size in a co-operative. The study found that the expansion in terms of size had an effect on the rate of growth of co-operatives. The study suggested that any additional membership allowed faster performance of related activities and influenced growth of the co-operative. Magingxa *et al.* (2006) conducted a study on factors influencing the success potential of smallholder irrigation projects in South Africa. Results of the study showed that if farmers use production systems that are diverse, adopt measures to control costs and use marketing strategies that seek the highest level of profit, market access is likely to improve.

### **2.5.1 Empirical studies on failures of co-operatives in South Africa**

A study conducted by Machete (1990) interviewed members of six agricultural co-operatives in a former homeland of South Africa. The study was carried out to determine the causes of poor performance and failures of co-operatives. The study responses show that co-operative members did not clearly understand the purpose of a co-operative in terms of how it functions and what members' rights are. According to Ortmann & King (2007), a relative lack of education and training might be the cause of this ignorance.

A number of studies have been conducted around barriers to market participation of smallholders in KwaZulu-Natal. Gadzikwa (2006) investigated the appropriate institutional and contractual arrangements for the marketing of organic crops produced by members of EFO in KwaZulu-Natal. Analysis of free-riding behaviour in this study suggests that free-riding poses a serious threat to EFO's collective marketing efforts. The study showed that members who are male, poorly educated, partially organically certified, aware of asymmetrical information related to grading procedures, and who did not trust the buyer are more likely to free-ride. The results suggested that EFO is more likely to survive if it continues to secure information, transport, fencing and certification services for its members, and if it improves the benefits of participating by synchronising

harvest and delivery dates. Negotiating price discounts for organic inputs and by maintaining an office with telephone, fax and postal services was also found to be important for success of this farmer organisation (Gadzikwa *et al.* 2007).

A study by Makhura (2001) on overcoming transaction cost barriers to market participation among smallholder farmers in the Northern Province of South Africa showed that decreased market participation is due to high transaction costs. Furthermore, performance is damaged by weak institutional arrangements that constrain capital and which lead to strategic choices that depend largely upon group dynamics (Gadzikwa, 2006). The summary of threats and barriers as per findings of the studies (Machete, 1990; Mthembu, 2008; Thamaga-Chitja, 2008) are presented in Table 2.3.

**Table 2.3 Barriers and threats to success of smallholder farmer co-operatives**

<ul style="list-style-type: none"> <li>• members' lack of understanding of their co-operatives' role</li> <li>• lack of access to relevant market information, market location, pricing and crop management handling (Mthembu, 2008), lack of knowledge and information in production, soil nourishment and disease control (Thamaga-Chitja, 2008)</li> <li>• failure of co-operatives to involve members in policy decision-making and to compete with other businesses (Machete 1990)</li> <li>• inability of co-operatives to provide sufficient credit and to dismiss inefficient management</li> <li>• fencing, irrigation, appropriate extension, illiteracy, non-conducive policy environment (Thamaga-Chitja, 2008)</li> <li>• lack of relevant facilities for storage, processing and packaging to retain quality and add value to products (Mthembu 2008)</li> <li>• lack of communication services, relevant marketing skills, land and own transport (Mthembu, 2008)</li> </ul>
---

A study conducted by Thamaga-Chitja (2008) determined the elements that threaten success of organic farming in the three groups in KwaZulu-Natal. The same groups were researched by Mthembu (2008), who investigated barriers to smallholders' market participation. While the study concludes that such challenges have not stopped smallholders from participating in formal and informal markets using different marketing channels, it is acknowledged that such challenges are a threat to smallholder agriculture.

## 2.6 New Institutional Economics and co-operatives

The New Institutional Economics (NIE) theory is useful and applicable to understand the important elements influencing operation of co-operatives. NIE explains the economics, law, organisational theory, political science and sociology that influence the operation of co-operatives. According to Sykuta & Cook (2001), NIE emerged with Coase (1937), cited by Ortmann & King (2007) in the article “The Nature of the Firm”. The NIE is a multidisciplinary field which combines economics, law, organizational theory, political science, business organisation and sociology (Kherallah & Kirsten, 2001). The first purpose of the NIE is to explain the determinants of institutions and their progression over time. According to Klein (1999), NIE aims to explain what institutions are, how they arise, what purposes they serve, how they change and how they should be reformed. Secondly, the NIE school of thought is useful in evaluating the impact of institutions on economic performance. Porter & Scully (1987), defined institutional arrangements not only as a set of formal laws, contracts, political systems, organisations and markets but also as informal rules of conduct such as norms, traditions, customs, value systems, religions and sociological trends. These sets of formal laws and informal rules facilitate organisation or govern relationships between individuals or groups.

While some organisations cannot be qualified as institutions, many institutions are organisations; for instance, households, firms and co-operatives (Kherallah & Kirsten, 2001). Co-operatives and farmer organisations are institutional arrangements that have recently achieved recognition in organising smallholders in developing countries. Nzimande (2009), who spoke at the recent International Co-operatives Conference held in the Republic of South Africa, emphasised that the co-operative movement is the most suitable vehicle for true empowerment of ordinary people. Therefore, the theoretical framework of NIE can be useful in analysing the effectiveness of co-operatives. The NIE provides the theory of transaction costs that applies in co-operatives (Kirsten & Mylene, 2001). Transaction costs include the costs of information, negotiation, monitoring, coordination and enforcement of contracts (van Zyl, 1998). Transaction costs include the cost of gathering and processing the information needed to carry out a transaction, of

reaching decisions, of negotiating contracts and of policing and enforcing those contracts (Coase, 1937).

Results of the study conducted by Kirsten & Roets (2005) on the potential to commercialise goat production suggested that formation of co-operatives and contract growing are the vehicles of choice to commercialise the goat industry. The study found that small herd sizes increase the transaction costs for individual farmers and inputs required can be prohibitively expensive. Kirsten & Roets (2005) argue that obstacles of transaction costs can be overcome through the collective action of goat farmer co-operatives. NIE can also assist in explaining the constraints faced by co-operatives.

## **2.7 Constraints facing smallholder agricultural co-operatives**

Co-operatives provide opportunities for poor rural people to make a living, either through selling their produce or through employment. However, the reported success level for smallholder agricultural co-operatives is very low, particularly in KwaZulu-Natal (Ndlovu, 2008). Smallholder farmers face constraints in production and in their ability to access resources and markets. In addition, co-operatives become more complex as they mature and respond to competition (FAO, 2007). Members, on the other hand, become more demanding as market opportunities increase. As a result, traditional means of solidarity are challenged. Insights from NIE can be used to explain the economic problems and the conflicts arising from co-operative principles. Effective capitalisation of a co-operative largely depends on the harmony between members and the co-operative interests (Bembridge, 1997). NIE suggest that as a co-operative grows into a commercial entity, interests of individuals and the interest of the co-operative may diverge (Coase, 1937). The conflicts of interest usually create at least three important problems; the horizon, the portfolio and the internal free rider problems (Olson, 1975).

The horizon problem consists of pressure by co-operative members to increase their current payments based on services rather than to make investments in the co-operative that would create greater future benefits. This short term demand of benefits usually erodes the co-operative's competitiveness over time (Nillson, 2001). There are several

reasons why members are generally reluctant to invest in co-operatives. The main reasons are the strong desire for members to get money or other benefits now, as they may not trust the co-operative or they do not view it as a sustainable venture that will help them increase their wealth in the long run. According to FAO (2007), some members tend to view themselves as customers and the management as the owners of the co-operative. Consequently, members are unenthusiastic to invest and wait for the long term benefits from the co-operative.

The portfolio problem arises when members are not able to understand that their individual investments will benefit them. The portfolio problem results in diminished members' willingness to invest individually owned resources in the co-operative (Cook, 1995). Members possess a variety of assets, defined as "a portfolio" in NIE. The assets are usually of different forms such as land, cattle, implements, savings and investments. Since these assets are individually owned, the owners have choices as to how they would like to manage the resources to optimise the value of the assets. Individual members are often hesitant to invest assets in the co-operatives due to uncertainties regarding returns relative to returns from investing outside the co-operative (Vitaliano, 1983).

According to Zeuli (2004), members are usually concerned about the potential growth in their investments if made in the co-operative. Another concern is that of members' entitlement to take out their investments. Members are interested in the amount they are entitled to draw, the conditions of so doing and the control they have over funds in the co-operative. Members tend to fear the complications that may arise because shares may generate low dividends or no dividends at all, and many do not appreciate in value (Cook, 1995). Issues such as inflation, discourage members as the value of their investments, in terms of purchasing power are likely to decline. Shares may also be difficult to redeem when money is most needed (DTI, 2005), such as in an emergency or when a special opportunity arises. Generally, individual members of co-operatives do not perceive investment in a co-operative as an effective way to accumulate redeemable savings (United States Agency for International Development, 2007).

The free-rider problem occurs when members want to gain the most advantages from the benefits of co-operation without contributing accordingly; a common element of collective action (Royer, 1999). A free-rider is someone who enjoys the benefits of a positive outcome without paying the costs attached to it (Olson, 1975). The free-rider problem usually occurs in cases where the group works towards the provision of a public commodity. Since ownership of the co-operative's assets is collective, there is a high probability of free-rider problems as property rights are not tradable, insecure or unassigned (Royer, 1999). In addition to the problems associated with collective action, as outlined in NIE, smallholder co-operatives face other constraints related to marketing, skills and constraints due to the policy environment of such bodies.

### **2.7.1 Market constraints**

Literature indicates that smallholders face a range of barriers that hamper market access and participation (Makhura, 2001; Haggablade *et al.* 2004; Machethe, 2004; Maltoglou & Tanyeri-Abur, 2005; Boughton *et al.* 2006). Market constraints in the context of smallholder agriculture are mainly due to the characteristics of smallholders and the areas in which they are located. The challenges are mainly due to poor infrastructure that characterises rural areas and limits farmers' access to information (Kirsten, 1998). Poor infrastructure implies that transportation of products to the market is a problem (Morris, 2001). Improved infrastructure reduces transaction costs for market participants (Matungul *et al.* 2001). Farmers in remote areas have little or no access to telecommunications such as mobile phones, internet and e-mail. Therefore communication between smallholder farmers and potential buyers is usually poor as farmers cannot negotiate business and prices without having to go directly to the markets (Ferris *et al.* 2006). Due to historical factors, there is a lack of adequate information to support smallholders (Aliber *et al.* 2006). Farmers lack information about potential markets, financial institutions available to support them and information about prices (Porter & Scully, 1987; Stefano, 2004).

Although new policies supporting the development of co-operatives have been introduced, co-operative members are not always aware of the available services.

Extension exists as one system of disseminating agricultural information to farmers but the services are not effective (Duvel, 2004). Documentation of information on smallholder related issues is conducted on a continuous basis, but the problem faced by farmers is the utilisation of the information. Research indicates that the current extension system in South Africa is not able to disseminate information to farmers (Farrington *et al.*, 2002; Duvel, 2004). A lack of resources makes it very difficult for black farmers to utilise existing research and extension services (Morris, 2001). As a result, resource-poor farmers experience a challenge in terms of shortage of information and communication flow from the agricultural extension and research service (Hawkins & van der Ban, 1996).

### **2.7.2 Skills constraints**

Dixon (2004) pointed out that very little attention has been given to development of smallholders' skills in South Africa and that training and skills development is inadequate. Management of interpersonal relationships is an issue that must be addressed because it has been the basis of co-operatives collapsing due to the dynamics between individuals (FAO, 2001). A study conducted by Kherallah & Kirsten (2001) concluded that the staff and board members of co-operatives lack managerial skills. Therefore, co-operatives have not been able to strengthen their business operations mainly due to inadequate training support. Poor administration skills also need to be addressed if the agricultural co-operatives are to be made successful. Moreover, co-operatives face the challenge of providing sound business plans and this may be due to high illiteracy levels that characterise the members of the small-scale agricultural co-operatives (Ortman & King, 2007).

### **2.7.3 Financial constraints**

As argued by DTI (2005), promotion of co-operatives is not to be viewed in isolation from wider national development policies and programs. Changes in some of the policies have played a significant role in posing challenges in co-operatives in South Africa. According to FAO (2001), globalisation, trade liberalisation, deregulation and changes in

political and economic paradigms have led to major changes in the political, social and economic environments within which agricultural co-operatives operate. Amongst the challenges facing the smallholder agricultural co-operatives are a number of global changes (Aina, 2007). The changes are posing a challenge in the viability and development of smallholder agricultural co-operatives in the developed and developing world (Rouse, 1996). These challenges include the decreasing flow of development assistance. From the 1960s through to the early 1980s, the promise of co-operatives attracted many supporters, government departments and international organizations such as FAO and the World Bank, as well as development assistance agencies from industrialised countries. Most donor agencies now face budgetary constraints resulting in priority changes. A decline in the support given to the agricultural sector, particularly the agricultural co-operative, has emerged as a consequence of these changes (Aliber, 2005).

Privatisation of state agencies and businesses poses another challenge to smallholder agricultural co-operatives (National Institute for Economic Policy, 2004). Globally, marketing boards that were owned by the state and banks are currently privatised; their new owners are usually interested in dealing with co-operatives only as business enterprises. Financial institutions now view co-operatives as government-led sources for the supply of agricultural commodities, or vehicles of social change. Therefore, the smallholder agricultural co-operatives are facing a challenge in terms of meeting business enterprise standards (Roy, 1994)

Farmers are required to produce co-operative business plans in order to obtain financial assistance. Ndlovu (2008) stressed that the Department of Economic Development has committed itself in ensuring screening of agricultural co-operatives based on business plans. On the other hand, the South African smallholder farmers are characterised by high illiteracy levels. Therefore, having financial institutions that do not consider all the dynamics of the beneficiaries is not desirable. Donors (Government and private sector) in the current South African system are demanding the formation and development of smallholder agricultural co-operatives. Grouping has become a requirement for better access to finance, but forming groups has not proven to be the key to success as envisioned by donors (Stringfellow, 1997). The demands of donors often exceed the

management skills of the farmers given their low literacy levels and lack of management skills. Since co-operatives are viewed by donors as business enterprises, collective action can lead to collective failure. Amongst the objectives of co-operative development, is promotion of solidarity in the communities (DTI, 2005). However, pressures by government, donors, and NGOs to encourage collective action, often do not result in solidarity. Collective action driven by donors' demands rather than the interests of members, results in weak co-operatives in terms of solidarity and cohesion (Zeuli, 2004). According to Stringfellow (1997), donor driven action has a negative effect on co-operative development. Members need to share common agendas that are developed internally for cohesion.

## **2.8 Overview of success factors for smallholder agricultural co-operatives**

Co-operatives need to meet their goals to be able to survive and prosper in a sustainable manner (Ruerd & Francesconi, 2007). Kirsten (1998) argues that for the co-operative to be sustainable, it should serve both as a social and economic unit. Smallholder agriculture in South Africa is viewed as one small but key element that can be adopted to reduce poverty for some households in the former homeland areas and contribute to local economic development (Manoni, 2005). The emerging agricultural sector has a vital role to play in terms of the economic growth and development that can be attained if or when farmers participate in markets for their produce (Makhura, 2001). Agricultural co-operatives, as argued by DTI (2005), present an opportunity for smallholders to participate in markets and contribute to local economic development. However, in contrast to other businesses, the rewards from trading activities of a co-operative are to be available and to be shared between all members, on a collective basis. According to FAO (2007), market participation of emerging smallholders implies increased and successful participation, or rather, enhanced ability to participate successfully in output markets.

According to Woodend (2003), market access is critical for successful co-operatives. A study conducted by Moloji (2007), showed that market access is determined by credit availability, product availability, attributes, prices and market information. Furthermore,

producing for the market can assist emerging farmers to become a significant part of the economic base. Producing for the market provides a number of benefits and advantages such as rural employment and income generation (Ngqangweni, 2000; Makhura, 2001). Results of a study conducted by Hendriks & Msaki (2006) suggested that producing for a market has a potential to improve food consumption patterns and food quality, directly through income generated, and indirectly through increased labour opportunities that result in wages and in-kind food transfers. However, a number of strategies must be applied if co-operatives are to compete in a market. While maximizing profits is not the main purpose of the co-operatives, it is important however, for co-operatives to generate income in order for them to remain viable. Therefore success factors are specific to co-operatives that operate for specific purposes.

The first area of focus in the development of co-operatives is financing of the co-operative. Co-operatives need access to capital to enable them to develop as effective entities. According to Phillip (2003), growth of co-operatives is not likely to be significant if access to finance is limited. According to FAO (2007), co-operatives need to adapt by finding new ways to finance their operations and to compete, while maintaining their co-operative identity as they may adopt mechanisms used by limited companies. Most income generating co-operatives that succeed in growing as viable entities choose to adapt and be innovative, moving away from a strict interpretation of traditional co-operative principles towards those of a modern co-operative.

Changes in co-operative financing have been underway for decades in Europe, North America, Australia and New Zealand (Nillson, 2001). While democratic control remains important, and open membership is preserved, members' roles as investors remain prominent and for this to be effective, members who are shareholders receive returns that serve as incentives. The most important source of co-operatives' funding is members as users and investors. Therefore, without own funding as a base, it is difficult to attract funds from others (FAO, 2007). To be successful, a co-operative must ensure well-organized use of existing resources such as facilities, equipment, finance, procedures and people through proper management of costs. According to FAO (2007), co-operatives significantly reduce costs through improved management. Such improvement is often

achieved through well structured management training programmes focused on improved use of available resources.

Legal frameworks should be considered when working towards success of a co-operative. It is vital that a co-operative has a set of rules guaranteeing that business contracts will be enforced if the co-operative is operating in business form. The legal framework for the co-operative should promote greater transparency in business transactions.

## **CHAPTER THREE**

### **CRITERIA FOR EFFECTIVE AGRICULTURAL CO-OPERATIVES**

As described by Kherallah and Kirsten (2001), “*co-operatives are institutions such as households and firms*”. The agricultural co-operative is considered a social organisation (Mohamed, 2004), as it is a support system of the society established to achieve societal goals. The necessary human and material resources or inputs for achieving activities of an agricultural co-operative are obtained from the environment within and outside the society. The co-operative engages in processes that result in changing inputs into outputs such as using seeds to produce vegetables. These outputs are distributed to meet the needs of the society’s individuals and then new resources acquired from selling the produced vegetables are obtained to start the activities again. Through the circular and continuous transformation of inputs into outputs and vice versa, the co-operative maintains its existence to serve the society (Prakash, 2004). Therefore, it is imperative that organisational effectiveness of co-operatives be explored.

Research indicates that the concept of organisational effectiveness is highly complicated, ambiguous, and general and that there is no specific indicator to measure organisational effectiveness (Mohamed, 2004). However, literature suggests a number of indicators that can be used to measure and determine organisational effectiveness. According to Mohamed (2004), choosing a certain measurement or indicator for measuring organisational effectiveness is based on the organisation’s nature and the goals of evaluation.

#### **3.1 Approaches for measuring organisational effectiveness**

Literature (Taylor *et al.* 2004; Haggablade *et al.*, 2007) provides four approaches that can be used to develop measurements of an organisation’s effectiveness. The approaches or the definitions for assessing organisational effectiveness, as outlined by Taylor *et al.* are:

- definition according to the goal approach,
- definition according to the system resources approach.
- definition according to the process approach, and

- definition according to the constituency approach.

The goal approach to assessing organisational effectiveness is considered to be the most common approach for measuring organisational effectiveness (Taylor et al. 2004). In the goal approach, organisational effectiveness is measured using the organisation's ability to achieve its goals as an indicator. A goal is a desired state or future state of an organisation, which the organisation attempts to attain (Prakash, 2004). Goals serve as standards by which members of an organisation, and outsiders, can assess the success of the organisation. According to the goal approach, an organisation is assessed upon ends and not methods. Mohamed (2004) argued that the goal approach to assessing organisational effectiveness focuses on the end results and overlooks the process followed to achieve those results.

The process approach of assessing organisational effectiveness focuses mainly on the internal organisational processes being specific features or measurements for the organisational effectiveness. Taylor *et al.* (2004) described the process approach as the one that uses several organisational features that characterize the effective organisations such as:

- the integration of individuals and organisation's goals,
- making use of the individuals and groups powers,
- flowing of information vertically and horizontally within the organization,
- simplicity of performing the internal functions as well as providing the environment that helps in the organisation growth.

FAO (2007) argues that institutional arrangements that cover how well organisations are functioning will affect their ability to meet objectives. The measurable factors reflecting institutional arrangements include contributions by members, violations of rules, major conflicts, enforcement of formal rule and decision making procedures. Constituency approach measures the organisational effectiveness through the organisation's degree of meeting the needs and expectations of the constituency. It deals with such groups that affect and are affected by the organisation, i.e., workers, customers and providers. The constituency approach is also called the model of the participating party (Taylor *et al.* 2004).

The system resources approach to assess organisational effectiveness is defined as the organisation's ability to make use of available opportunities on its environment to mobilise and acquire resources necessary for achieving its goals. Therefore, the main focus of the system resources approach is in the organisation's ability to relate with the surrounding environment. Taylor *et al.* (2004) pointed out that the system resources approach takes two directions. The first direction concentrates on the relationships of the organisation with the outside environment. The second direction is the open system approach that is considered by researchers as the most important approach for measuring the organisational effectiveness. The open system approach includes the first three approaches within it and includes all elements to be used in measuring the organisational effectiveness. The organisation's goal and its outputs as well as the processes used by the organisation to change inputs into outputs are integrated into the open system approach. The framework for analysing agricultural co-operatives for this study was developed using the open system due to its holistic approach toward assessing organisational effectiveness.

### **3.2 Framework for analysing effectiveness of primary agricultural co-operatives**

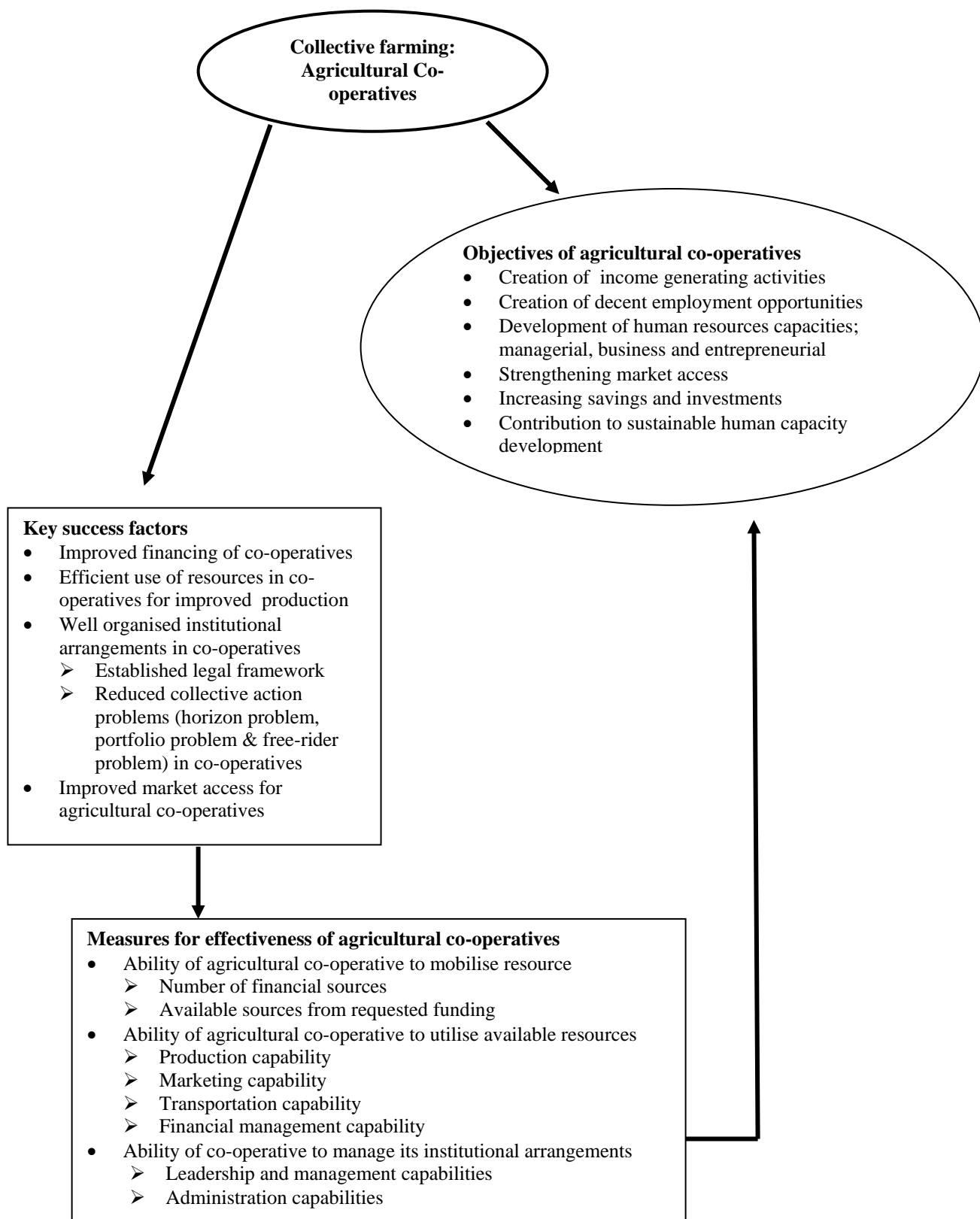
Using the literature on objectives of agricultural co-operatives and success factors of smallholder agriculture as outlined in Chapter Two of this study, and using the theory of organisational effectiveness, particularly the systems approach as outlined in Section 3.2 above, a framework that explains critical issues to be covered in analysing the effectiveness of the agricultural co-operatives can be developed. The framework, as shown in Figure 3.1, implies a combination of approaches towards analysing organisational effectiveness; the goal and the process approach. The framework suggests that the objectives or goals of agricultural co-operatives can be used as standards or measures for assessing co-operative effectiveness. The processes include the ability of a co-operative to mobilise and utilise the available resources and the ability of an agricultural co-operative to manage its institutional arrangements to ultimately meet its objectives. The overall measure of co-operative effectiveness is the ability of the co-operative to meet its set objectives.

The framework suggests that collective farming through agricultural co-operatives is established to meet the specific objectives, as listed in the framework. The list of key broader requirements or factors from which the level of success for co-operatives can be judged is presented in the framework. The framework also shows the indicators for effectiveness of agricultural co-operatives. The co-operative effectiveness measures and the specific indicators of each measure are outlined below.

### **3.2.1 Agricultural co-operatives' ability to mobilise and utilise the available resources**

The key area of focus in success of co-operatives is financing. Co-operatives need access to capital, to develop as effective enterprises. According to Phillip (2003), growth of co-operatives is not likely to be significant if access to finance is limited. Therefore, the framework of co-operatives effectiveness needs to focus firstly on the ability of the co-operative to obtain the necessary resources and materials for achieving its activities from the surrounding environment. The number and ease of accessibility of financial sources available to the co-operative should be assessed. Such analysis will demonstrate the co-operatives' ability to either accumulate their own resources or to obtain resources.

FAO (2007) has argued that if mobilisation of resources was the only problem in organisation's effectiveness, the problem would be easily solved. To be successful, a co-operative must ensure well-organised use of existing resources such as facilities, equipment, assets finance, procedures and people (FAO, 2001). It is through efficient use of resources or inputs that the desired outputs in an organisation will be achieved. Ability of a co-operative to utilise available resources can be judged from the production capability, marketing capability and through distribution of the co-operatives' outputs.



**Figure 3.1 Framework for analysing the effectiveness of primary agricultural co-operatives.**

### **3.2.2 Agricultural co-operatives' ability to manage its challenges**

The effectiveness of an agricultural co-operative can be assessed through its ability to manage structural constraints. Structural constraints can be due to weak institutional arrangements and weak management and/or leadership. Kirsten *et al.* (2002) defined institutional arrangements not only as a set of formal laws, contracts, political systems, organisations and markets, but also as informal rules of conduct such as norms, traditions, customs, value systems, religions and sociological trends. These sets of formal laws and informal rules facilitate organisation or govern relationships between individuals or groups. Therefore, the ability of a co-operative to manage institutional arrangements can be judged by the extent to which a co-operative follows set administration. Moloji (2007) argued that the measurable indicators for organisations' functioning include contributions by members, violations of rules, major conflict and decision making procedures.

### **3.2.3 Ability of a co-operative to meet its set objectives**

The goal approach to measuring organisational effectiveness considers the outputs of an organisation as the standards to assess goal attainment. The framework in Figure 3.1 shows that the measures of co-operative effectiveness are linked to the objectives of co-operatives. The linkage suggests that measurement of the effectiveness of the co-operative using the listed measures, leads to an answer as to whether the co-operative is able to meet its objectives.

The framework will be used to assess the effectiveness of the three agricultural co-operatives selected for this study. Each co-operative will be assessed to check whether it meets the key success factors of co-operatives and the key measures of agricultural co-operative effectiveness listed in the framework. Chapter Five describes in detail how the framework was used to analyse and compare the three agricultural co-operatives.

## **CHAPTER FOUR**

### **DESCRIPTION OF THE STUDY AREA**

#### **4.1 Introduction**

Despite the increasing number of studies conducted around successes and failures of smallholder agricultural co-operatives, fewer in-depth studies exist on analysing effectiveness of collective action for smallholder farmers in KwaZulu-Natal province. This study focused on evaluating the elements constituting an effective agricultural co-operative. Three agricultural co-operatives in Umgungundlovu district were selected for this study.

#### **4.2 Geographical location and rural infrastructure of the district**

Umgungundlovu district covers 8,500 kilometres of land and is made up of seven municipalities (Waste Association in South Africa, WASA, 2005). The map of the Umgungundlovu district and the local municipalities in which the three studied co-operatives were found are shown in Figure 3.1. Umgungundlovu district has an estimated population of about 872717 people (Camp, 1999). It is the second largest district with the highest unemployment rate in the KwaZulu-Natal province (WASA, 2005). Umgungundlovu district is one of the many districts with good agricultural production due to the favourable climate, rainfall and topographical conditions. Sugarcane and timber are the dominant agricultural products. There is an increased investment in production of vegetables, maize, fruits and livestock (Camp, 1999).

Pietermaritzburg is the centre of Umgungundlovu district's economic activities. The city consists of a variety of wholesale and retail markets. The three co-operatives supply the Pietermaritzburg market with some produce. Pietermaritzburg's location is shown in Figure 4.1.

## Umgungundlovu District Municipality



Figure 4.1 Map of Umgungundlovu District indicating (by arrows) the study area (Produced by the University of KwaZulu-Natal Geographic Unit, 2007).

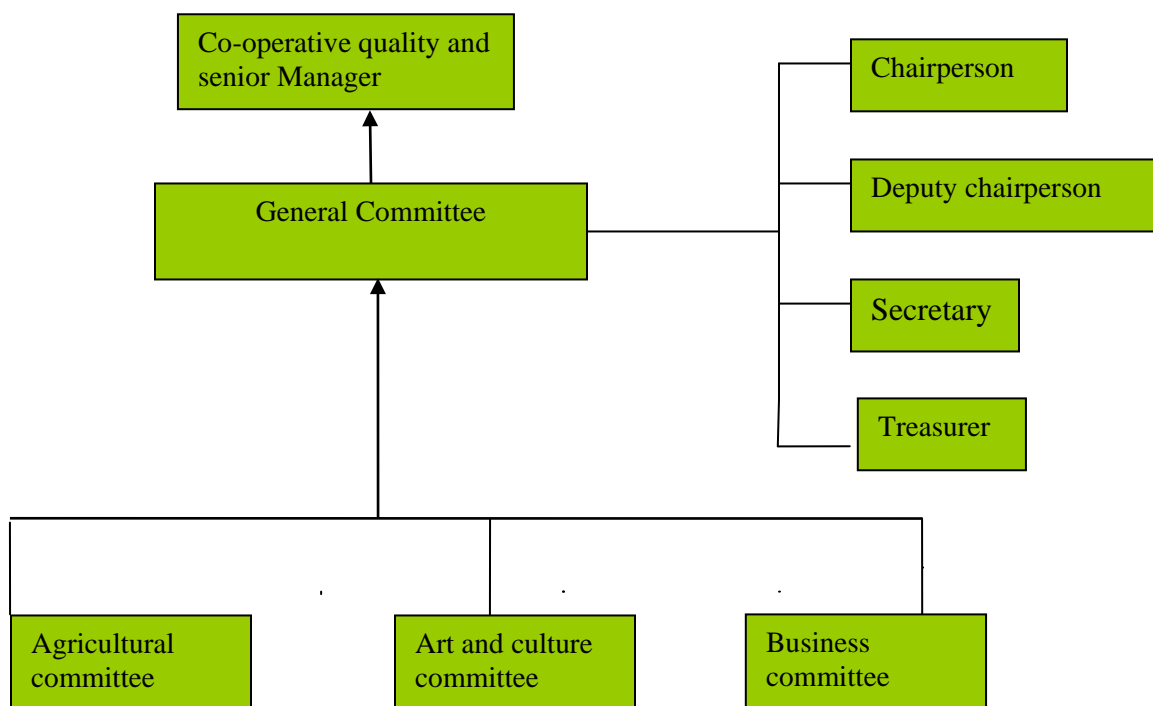
### 4.3 Inyamvubu co-operative

Geographically, Inyamvubu co-operative is based at Rietvlei; a farming area located on the outskirts of Mooi River located 40km west of Pietermaritzburg. The co-operative is easily accessible as it is closely situated to the Greytown tar road. Mooi River is characterised by a large number of commercial farms and roads are in a good condition. However, road conditions from Rietvlei, where Inyamvubu co-operative is situated, are in a poorer condition and are ridden with potholes. Most land in Mooi River is owned by commercial farmers and most households are farm occupants residing on these farms as labour tenants. While there are communal portions of land in the area, very few smallholders own land. As a result of this land ownership system (or labour tenancy) in the area, Inyamvubu co-operative's farming activities are carried out on land that belongs to a farmer owning Wood Burn Farm. The co-operative farms in about 4ha of land.

Inyamvubu co-operative has been farming using organic principles, though not certified, for more than a year. It was started in 2004 with the broader vision of having a vibrant rural development that supports its inhabitants and limits leakage of income out of the areas. The co-operative began as a sewing project with five members. In 2006, it emerged as a co-operative through the introduction of a co-operative programme by the Department of Finance and Economic Development. The founder of the co-operative was Miss Maureen Ngubane who is the manager of Inyamvubu co-operative. The co-operative has been practicing farming, sewing and art work. Farming began in 2006 following other activities that were already being carried out. Farming using organic principles was a natural and attractive choice available to the co-operative due to limited resources to purchase external outputs.

Inyamvubu co-operative strives to achieve its objectives through expanding the co-operatives activities. The main objectives of the co-operative are fighting off poverty and hunger, ensuring development in communities, creating employment for community members and generating income. The additional objective for Inyamvubu co-operative is to enlighten people about entrepreneurship. Members aim to be a successful organisation and most importantly, they want to transform to commercial venture. Inyamvubu co-

operative engages in small committees for the enterprises that report to the general committee. The general committee reports to the senior manager of the co-operative. The co-operative has its detailed constitution outlining the objectives, vision and missions, the management structure and some rules under which the co-operative operates. The management structure of Inyamvubu co-operative is presented in Figure 4.2.



**Figure 4.2** An illustration of management hierarchies for Inyamvubu co-operative.

Inyamvubu co-operative comprises of 72 members, 65 ordinary members and seven committee members. The number of members of Inyamvubu co-operative has increased significantly over the two years since the co-operative was registered. Resignation of members has never been experienced in the co-operative to date. Administration work is carried out in an office environment and updates of records are carried out electronically as the office has a computer. Figure 4.3 shows the set-up of the administration office of Inyamvubu co-operative. The co-operative strictly employs members of the community in order to fulfil its objective of community up-liftment. Recruitment of members is based on the talents and strengths identified from applicants. The co-operative welcomes

everyone from the community to apply and as long as there is a need for more members, more people are employed by the co-operative.



**Figure 4.3 Administration office for Inyamvubu co-operative, 2008.**

#### **4.4 Ingwe-Mndeni co-operative**

The second group, Ingwe-Mndeni co-operative is based in the Richmond Municipality in a small rural area called Inhlazuka. Richmond is situated approximately 38km south-west of Pietermaritzburg. The area is further away from town, making it difficult to access. This is especially apparent during rainy seasons due to the muddy gravel roads which constrain market access and which may also result in the area being neglected in terms of social services provision. The rate of unemployment is very high in Richmond; approximately 77% of households earn less than R1500 a month (WASA, 2005). The area is characterised by a large number of community projects that fail at the early stages of growth. In the past, Richmond was affected by political violence that required government intervention and could account for the higher poverty levels there. However, the area is agriculturally productive. Ingwe-Mndeni co-operative exists as one of the very few registered co-operatives in the area, particularly those practising agriculture. Land in Inhlazuka is under the administrative authority of Amakhosi (Chiefs).

The co-operative was started in 2004 as a group of three members who were encouraged by the current chairperson who received information from a meeting with agricultural stakeholders. The broader objectives of the co-operative at inception were to fight

against poverty and provide food. The process of registering the co-operative as a formal registered structure was facilitated by their extension officer. As a result, more family members were recruited to join. The co-operative currently consists of members that belong to the same extended family. Ingwe-Mndeni co-operative had a population of eight members inclusive of four committee members, two casual members and two permanent ordinary members. The co-operative is managed by a committee consisting of a Chairperson, Secretary and Treasurer. Ingwe-Mndeni co-operative has a constitution but administration is not well developed.

#### **4.5 Umphumela co-operative**

Umphumela co-operative falls under the Mkhambathini Municipality in the rural area called KwaNyavu. Land in KwaNyavu is communally owned and is under the administrative authority of Amakhosi (Chiefs) and Izinduna (headmen) who are in charge of allocating arable land, fields and community gardens. The land allocation system does not allow community members to hold title deeds. However, a household can rent rights to use fallow land to another household for a negotiated price in the area. Umphumela co-operative is comprised of members of the Hlela group. Currently, the co-operative is farming on approximately 2.5ha of communal land under the Hlela name.

Umphumela co-operative was also started in 2004 as a gardening project. The co-operative began as groups of three members that were encouraged by the current chairperson to engage in farming collectively. Registration of the co-operative was motivated mainly by the extension officer at the time; members were informed about easy access to government assistance when farming as a co-operative. Members of Umphumela co-operative structured themselves and registered as a co-operative. The main objectives of their co-operative are to fight against poverty, create employment and generate income.

#### 4.6 Sample characteristics of the survey participants

The follow-up survey was administered with a sample of 56 participants (53 from Inyamvubu, six from Ingwe-Mndeni and six from Umphumela) from all three co-operatives all of whom completed the survey questionnaire. The age groups of participants were recorded instead of the exact age of individuals for the purpose of statistical analysis. The respondents were evenly spread across the age groups. Table 4.1 presents the age group of respondents from the three different co-operatives.

**Table 4.1 Age of respondents in different co-operatives (n=65)**

Age of respondents	Name of the co-operative			Total
	Inyamvubu n=53	Ingwe-Mndeni n=6	Umphumela n=6	
21-35	19	0	2	21
36-49	15	3	2	20
50-65	14	3	2	19
66-79	5	0	0	5

As a contradiction to the normal trend in South Africa, Inyamvubu co-operative consisted of a reasonable number of youth between the ages of 21 and 35 (Table 4.1). The percentage of elderly people in the other two co-operatives was low. Furthermore, for the purpose of statistical analysis, participants were grouped into three levels of education (primary, secondary and tertiary level). A large number of members who reached secondary level are higher compared to other levels for the total sample (Table 4.2).

**Table 4.2 Education level of respondents from different co-operatives (n=65)**

Level of education	Frequency	Percent
None	16	25
Primary	17	26
Secondary	32	49
<b>Total</b>	<b>65</b>	<b>100</b>

The study group was predominantly comprised of women. The ratio of women: men that were found in co-operatives indicate a larger number of women compared to men. The three co-operatives were composed of more females (85%) than males (15%). Findings

on the gender ratio in the co-operatives are in contrast to FAO (2001) wherein it is stated that women's participation in the agricultural co-operatives is low. South African literature indicates that women play an important role in carrying out the important activities that contributes to food security through agricultural production. For instance, a study conducted by Morris (2001) showed that farming households, especially in Southern Africa, do not operate as a single unit of production and consumption. In such cases, women (wives) grow different crops from men, are more able to work as groups and manage budgets differently. Most men work in towns and cities in and beyond the province and their absence could account for the higher ratio of women: men in the co-operatives.

A noticeable difference was observed among the three co-operatives selected for this study. Inyamvubu co-operative is larger, more established, Ingwe-Mndeni co-operative and Umphumela co-operative are smaller less established and less diverse. The differences between the areas of operation were also observed for fuller insight and for comparison purposes (de Vos, 1998).

## **CHAPTER FIVE**

### **METHODOLOGY**

This study explored collective farming by assessing the elements constituting the effectiveness of the three agricultural co-operatives in the Umgungundlovu District. This chapter describes the research design and methodology applied to collect and analyse data. The study was designed to specifically identify the activities carried out by the three co-operatives to achieve their objectives, the advantages and disadvantages of farming as a co-operative and the constraints faced by the co-operative. Lastly, the study analysed the elements constituting an effective co-operative as per its set objectives.

#### **5.1 Sample selection**

A list of registered co-operatives was obtained from the Department of Economic Development of KwaZulu-Natal, which works closely with co-operatives. The province has a diverse co-operative sector with a wide range of enterprises. However, this study focused on three agricultural co-operatives in Umgungundlovu District as its case study. Due to logistical and administrative constraints, such as costs and time, co-operatives were selected from three local municipalities within the district.

Criteria used for selecting the co-operatives were based on accessibility, active farming activities and the willingness of members who participated in the study. Some co-operatives on the list were no longer engaging in agricultural activities and were thus not selected. Some contact numbers for co-operatives could not be accessed as they were no longer functional. Other contact persons were not interested in participating in the study. Consequently, only three co-operatives were included. It was important to study more than one co-operative for comparison purposes.

Non-members of co-operatives were also included in the study to obtain information about reasons for non-participation therein. The aim of their inclusion was to obtain and compare the extent of knowledge, opinions, perceptions and activities carried out by those that are not involved in co-operatives. The total sample size that was selected

comprised of individual smallholder farmers and people that do not practise any farming activities whatsoever. Non-members of co-operatives were selected purposively based on the knowledge that they are not involved in farming. The initial plan was to interview people that had been previously involved in co-operatives but that had dropped out. It was discovered from the co-operatives, that none of the members had dropped out. Therefore the contact persons were asked to invite community members that were not involved in co-operatives. Selection of the non-members of co-operatives was based on their willingness to take part in the study and on their availability on the scheduled dates.

## **5.2 Data collection methods**

The researcher conducted informal visits to the selected co-operatives for introductions of the research topic and to confirm members' consent. The aim was to win the trust of the co-operative members through visiting with people that are well known in the co-operatives such as extension officers. However, only one extension officer could be reached and was available to introduce the researcher to members of Inyamvubu co-operative. Baseline information was collected during the informal visits. One of the questions that can be directed to any researcher who collected information from people could be whether the methods of data collection obtained a true reflection of the participants' opinions (de Vos, 1998). To improve the truthfulness and the reliability of results, different measuring instruments were used for this study; observation methods, focus group discussions with Force Field Analysis (FFA) and survey interviews were employed as the data collection techniques.

### **5.2.1 Focus groups**

Detailed data was collected from the focus group discussions with members of the co-operatives. Brierty (1999) stated that focus group discussions are one way of extracting a small sample and obtaining feedback. The thought of one participant in the focus group discussion triggers thoughts of other participants, and extensive feedback can be obtained from focus group discussions (Dummon & Ensor, 2001). All members that were available during this study participated in the focus group discussion (53 from

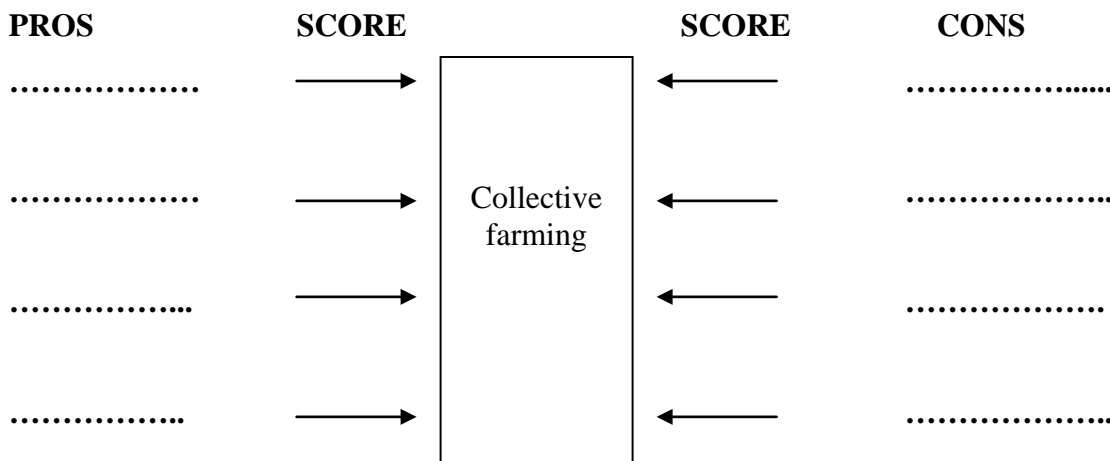
Inyamvubu, 6 from Umphumela and 6 from Ingwe-Mndeni co-operative). Inyamvubu co-operative consisted of the largest group of members and therefore having a single focus group discussion with all members at once was not feasible as it could limit each participant's opportunity to share experiences (Snape & Spencer, 2000). Therefore, members were divided into groups of youngsters, adult females, adult males and a group of committee members in this co-operative. The divisions were created in order to avoid possible intimidation that could occur among members that belonged to different distinguishing groups (Babie & Mouton, 2001). In Ingwe-Mndeni and Umphumela co-operative, only one focus group discussion was held with each group. Figure 5.1 shows the researcher in group discussion with members of Ingwe- Mndeni co-operative.



**Figure 5.1** The researcher and some members of Ingwe-Mndeni co-operative, 2007.

Force field analysis was applied during the focus group discussions. Iowa State University Extension (ISUE, 2001) described the FFA as a useful tool to identify, discuss and evaluate forces that have an impact on a situation or a proposed change. Identified forces should be in favour of or against the situation or the proposed change. For instance, a FFA is useful when attempting to obtain a broader understanding of pros and cons of a particular situation or a proposed change (ISUE, 2001). In a case of advantages and disadvantages of collective farming, according to ISUE (2001), advantages are forces in favour of collective action and disadvantages are forces against collective farming.

The researcher allowed the participants to brainstorm and define the pros and cons of agricultural co-operatives. Once the lists of both advantages and disadvantages had been refined, the researcher asked the participants to assign scores to each force from one (weak) to five (strong). The participants assigned scores relative to how they perceived each point to have an influence in their respective co-operatives. The question on pros and cons of collective farming was repeated during the survey interviews in order to ensure that responses from the individuals' point of view were obtained. The assigned scores to each given advantage and disadvantage were then added to establish whether pros outweigh cons of collective farming or vice versa. The researcher discussed the probability of strengthening the positive forces (pros) and minimising the negative forces (cons) with the participants. At the end, all discussed pros and cons of collective farming were clear, sound and explainable. An example of the FFA used is shown in Figure 5.2.



**Figure 5.2 Force Field Analysis for the pros and cons of collective farming in the three co-operatives (ISUE, 2001).**

To expand on pros and cons of collective farming, focus group discussions were held with non-members of co-operatives from the three different communities in which the co-operatives were found. Although the information obtained from the focus groups was descriptive and useful, other data collection techniques had to be applied. The observation method used by the researcher during the study period largely complemented the focus group discussions and the other methods used.

### **5.2.2 Survey interviews**

The fundamental aim for the survey was to gain further, more detailed information to address the sub-problems from individual members. One-on-one survey interviews were carried out with co-operative members in order to avoid domination of certain individuals in focus group discussions, and, to allow individuals to express themselves and give honest responses without being intimidated by others (de Vos, 1998). While the questionnaires were designed in English, all the interviews were conducted in *isiZulu*, the local language of the areas. The initial sampling plan for the survey was to interview all members of the co-operatives in all three co-operatives. However, due to the absence of members, 64% of the total members were interviewed.

### **5.3 Data analysis**

Qualitative data from the focus group discussions was analysed through summaries and tables. The study used analytical frameworks developed from the three elements of literature to analyse the results obtained from the study participants. The elements included objectives of agricultural co-operatives, empirical studies on successes and failures of agricultural co-operatives, and the theory of organisational effectiveness. A table that compares and analyses the three co-operatives as per the analytical framework was used to present the results. While the study used both qualitative and quantitative data, qualitative data was critical for the analysis of the three co-operatives, particularly using the developed analytical framework of organisational effectiveness. Therefore, qualitative data was predominant in answering the sub problems of the study. Table 5.1 presents the data collection and analysis plan that was followed to obtain answers and to analyse each sub-problem of the study.

**Table 5.1 Data collection and analysis plan for each sub-problem**

<b>Sub-problem</b>	<b>Tool of data collection</b>	<b>Data collected</b>	<b>Analysis</b>
1. To identify activities carried out by agricultural co-operatives to meet their objectives	- Focus group discussions - survey interview	- reasons for grouping (a groups' perspective) - reasons for joining the co-operative (individuals' perspective) - descriptive information on activities carried out in co-operatives	- summaries and frequency tables
2. To identify advantages and disadvantages of agricultural co-operatives	-Force Field Analysis -Survey interviews	- list of advantages and disadvantages of collective farming, total scores of advantages and disadvantages - each member's perceived disadvantages of collective farming	- summaries and tables
3. To identify constraints faced by agricultural co-operatives	- Focus group discussions	- descriptive information on constraints faced by the three agricultural co-operatives	- summaries and frequency tables
4. To identify elements constituting an effective co-operative as per the criteria established from literature	- Force Field Analysis -Survey interviews -Focus group discussions	- descriptive information on objectives, constraints, pros and cons and constraints facing the three agricultural co-operatives	- criteria established from literature, comparison table

Themes that best present the results were formulated according to the sub-problems of the study and discussion on the results was conducted using literature as the frame of reference. Quantitative data was analysed statistically using SPSS program. Quantitative data analysis was limited to calculation of frequencies and cross-tabulations which were used to establish relationships between variables and for comparison purposes.

## **CHAPTER SIX**

### **RESULTS AND DISCUSSION**

The main purpose of this study was to assess collective farming by investigating the key elements constituting an effective agricultural co-operative. The study addressed four sub-problems in order to answer the main research problem. The study explored the following sub-problems:

- What are the activities carried out by the three agricultural co-operatives to meet their objectives?
- What are the advantages and disadvantages of collective action in the three agricultural co-operatives?
- What are the constraints faced by the three agricultural co-operatives?
- How effective are the three selected co-operatives?

#### **6.1 Objectives of the co-operatives**

Information on objectives that members have for their co-operatives was obtained through the focus group discussions and survey interviews. Mohamed (2004) described the goal approach of determining organisational effectiveness as the one that uses the organisation's ability to achieve its goals as an indicator. Therefore, overall conclusions will be drawn based on the extent to which co-operatives meet their objectives. Objectives of the three co-operatives correspond with those set by government as presented in the framework (figure 3.1).

Members of the three co-operatives aspire to see themselves growing and achieving their objectives. The three co-operatives that participated in the study were started due to high unemployment rates in the communities. Members reported a need to generate income as the major motive to join co-operatives. The three groups were inspired to register as co-operatives because some members obtained information that registering as formal groups to engage in smallholder farming could improve access to government funds and thus access to markets. Managers of Ingwe-Mndeni and Inyamvubu attended workshops with

agricultural stakeholders and obtained information about promotion of co-operatives in South Africa. Registration of Umphumela as a co-operative was encouraged by the extension officer.

Inyamvubu has more objectives than either Ingwe-Mndeni or Umphumela, in addition to the common objectives among the co-operatives. The unique additional objective for Inyamvubu co-operative was to open peoples' minds about entrepreneurship. Members aim to be a well known and successful organization. An indirect question was posed to obtain individual members' long-term plans regarding their commitment to their co-operatives and to check consistency with the co-operatives' objectives. Members were asked about their willingness to become long term members of the co-operatives.

The majority (73%) of farmers from the three co-operatives indicated a willingness to remain long term members of the co-operatives. Very few farmers (26%) were not willing to remain long term members of their co-operatives. It is important that farmers engage in agricultural co-operatives with common motives and passion about farming (FAO, 1997). In contrast, results of this study suggest different reasons for members to remain in their co-operatives rather than being passionate about farming. Table 6.1 presents the results of the reasons why farmers are willing to remain as long term members in their co-operatives.

Results in Table 6.1 indicate that old age is the reason for most farmers (32%) declaring that they were not willing to remain long term members in the Inyamvubu co-operative. Farmers reported old age as a limiting factor to exploring other options available to them and therefore they remain as members of co-operatives. Members' commitment to the co-operative was reported as another reason that farmers (21%) were willing to remain long term members of their co-operatives. Unavailability of jobs was identified by farmers (49%) from Ingwe-Mndeni co-operative, in particular, as a reason for participating. Co-operatives are therefore fulfilling members' objective of creating employment opportunities.

**Table 6.1 Reasons for members' willingness to remain long term in Inyamvubu, Ingwe-Mndeni and Umphumela co-operatives, collected in 2008, n=65**

<b>Name of the co-operative</b>	<b>Reason for willingness to remain as a long term member of co-operative</b>	<b>Frequency</b>	<b>Percent (%)</b>
Inyamvubu (n=53)	Commitment to the co-operative	11	61
	Lack of other jobs	5	9
	Satisfaction	6	11
	Old age	17	12
	Not willing to spend long term	14	7
	<b>Total</b>	<b>53</b>	<b>100.0</b>
Ingwe-Mndeni (n=6)	Commitment to the co-operative	1	17
	There are no other jobs	3	49
	Satisfaction	1	17
	No answer	1	17
	<b>Total</b>	<b>6</b>	<b>100.0</b>
Umphumela (n=6)	Commitment to the co-operative	3	50
	There are no other jobs	2	33
	No answer	1	17
	<b>Total</b>	<b>6</b>	<b>100.0</b>

The remaining members of the Umphumela co-operative are working elsewhere, probably due to better income opportunities. These results indicate a threat in the long-term success of the co-operatives since one pillar of a successful co-operative is members' commitment to the co-operative (Gadzikwa, 2006). The larger percentage (61%) of committed members in Inyamvubu Co-operative as shown Table 6.1 should be linked to its evident success which will be discussed later in this chapter.

## **6.2 Activities of the agricultural co-operatives**

Data on activities carried out by the agricultural co-operatives was obtained mainly through the focus group discussions. Additional information was collected from individual members through surveys. FAO (2007) argues that activities and processes related to how well organisations are functioning will affect their ability to meet their objectives. One way in which the ability of a co-operative to utilise its resources can be measured, is by analysing the co-operative's activities and processes. The main activity for the three co-operatives is farming. Co-operatives farm on a small-scale basis growing vegetables for trade and for household consumption.

Marshal (2005) pointed out that co-operatives' activities should occupy all functions necessary from producing the product to bringing it to market. The three agricultural co-operatives carry out a number of agricultural activities in terms of working towards fulfilling their objectives. Not only have they been responsible for production activities, storage and packaging but they also engage in transportation of produce to markets.

### 6.2.1 Production

Production capability is one of the indicators of the agricultural co-operatives' ability to utilise resources as indicated in the framework for co-operatives' effectiveness in Figure 3.1. The three co-operatives studied collectively produce vegetables. There was a combined use of chemicals and organic methods for growing vegetables in the different plots in the Ingwe-Mndeni and Umphumela co-operatives. The two co-operatives utilised a combination of compost and fertilisers for enriching the soil. Inyamvubu co-operative used compost together with manure; this helped to reduce the input costs as the co-operative purchases inputs such as seed and fertilisers for itself. Table 6.2 presents the types of crops that are grown by the three co-operatives.

**Table 6.2 Types of vegetables grown in Inyamvubu, Ingwe-Mndeni, Umphumela co-operatives, 2008**

Vegetables	Inyamvubu	Ingwe -Mndeni	Umphumela
Cabbage	✓	✓	X
Butternut	✓	✓	✓
Green beans	X	✓	✓
Green pepper	X	✓	X

Note: ✓ indicates the vegetable was grown in the area; X indicates the vegetable was not grown in the area.

Co-operative members reported production as labour intensive, especially if larger amounts have to be produced. As a result, a larger number of people are required if supply is to be met. In this regard, co-operatives provide employment opportunities. All three co-operatives reported a shortage of implements for production as a constraint. However, the shortage of implements creates a need to employ more labour, fulfilling one of the co-operatives' objectives to create employment opportunities.

Inyamvubu co-operative does not practice farming only. Members also produce and sell craft. Morris (2001) stated that one of the advantages of co-operatives is diversification, value adding and specialisation of labour. Such a statement is in line with findings from the Inyamvubu co-operative. The strategy used by the co-operative to balance work across all activities is to assign people to tasks that they can perform best. In that way work gets done quicker. Diversification of activities in Inyamvubu Co-operative could be a result of the large membership which allows growth and expansion (Morris, 2001). Ingwe-Mndeni and Umphumela co-operative engage solely in agricultural activities and there is no specialisation of labour or diversification of activities. Diversification of business by Inyamvubu co-operative is a strength as it ensures that all co-operative members always have work to do throughout the year even beyond the farming seasons.

### **6.2.2 Marketing**

Marketing capability is another indicator of the co-operatives' ability to utilise available resources, as shown in the framework in Figure 3.1. The extent of demand for produce from the three co-operatives is somewhat similar. Ingwe-Mndeni co-operative sells its produce in bulk to the Housewives Market at Mkondeni and Clairwood (in Pietermaritzburg and Durban, respectively). The three co-operatives also sell their produce to their communities. An increase in demand was reported by Ingwe-Mndeni in 2008 in comparison to previous years. In the previous years, the co-operative experienced slow progress as far as sales were concerned. Members resorted to discarding produce or using it for household consumption due to the unavailability of alternative markets. Even so, members continued marketing directly to the potential markets until they secured the Pietermaritzburg market in 2007. However, there were no documented records kept by farmers to assist in quantifying the improvements in sales.

Currently, Inyamvubu co-operative produces what is demanded by the market and therefore losses have decreased dramatically. There is ongoing communication between the buyers and the co-operative members. The market states exactly what they expect the co-operative to supply (type of vegetables and estimated amounts), therefore the co-operative is able to make informed production decisions based on this demand. This

communication is important since a reliable supplier is crucial for large-scale retail (Brierty, 1999). Ingwe-Mndeni co-operative carries out an informal annual evaluation of sales and members reported an increase in sales. However, there were no documented records that could support members' reports as they had based their comment about sales on observation. Umphumela co-operative's main markets are community members and a vegetable shop in Pietermaritzburg. Members of this co-operative reported an increased variety of products in comparison to the past, owing to the increase in sales. Inyamvubu co-operative sells to the school feeding scheme and to supermarkets from Mooi-River and Pietermaritzburg. Market conditions are favourable for the three co-operatives due to the availability of buyers and demand for their produce. Contrasting the common market constraints for smallholder farmers in South Africa, as reported by Etzel (1997), market channels for the three groups were multiple. While the co-operatives are willing to expand and diversify their produce to widen their market, they are constrained by resources as discussed later (Section 6.6).

Direct marketing is the main and the only strategy used by the three co-operatives to market their produce. Managers of the three co-operatives approach the potential markets, show samples of their products, engage in formal negotiations and agreements, secure buyers and sign contracts. Co-operatives reported networking with other people who engage in similar activities as a crucial strategy for obtaining marketing related information such as prices and demand, especially organically produced vegetables. However, co-operatives had no records of costs associated with marketing and networking. According to Maltsoğlu & Tanyeri-Abur (2005), indirect transaction costs from production to marketing include costs of searching for- and screening of trading partners.. Therefore, co-operative members should be alert of all costs, including indirect costs associated with marketing, such as communication and travelling to potential markets. . If co-operatives can undertake to record all costs, strategies for minimising such costs can be identified and it is likely that their income will be increased accordingly.

### 6.2.3 Transportation of outputs

The third indicator of the co-operatives' ability to utilise available resources, is its ability to find effective ways to transport produce to the market. All three co-operatives have their own means of transporting their produce to markets. Inyamvubu co-operative members own a van bought from the profit of the co-operative. The other two co-operatives use vans owned by the managers of the co-operatives. The aim of using their own transport is to ensure that transport costs are paid to people that are already in the co-operative. While means of transport are available within the co-operatives, there are costs associated with it and that are overlooked by the co-operative members. The distance from markets, together with weak infrastructure and poor access to markets is shown in high exchange costs (Maltsoglou & Tanyeri, 2005). Therefore, farmers must be alerted to the costs associated with transportation especially since the co-operatives are located far from buyers and infrastructure is weak. The three co-operatives did not engage in processing and packaging produce and hence were not aware of the importance of value adding or diversification of activities.

### 6.3 Reported advantages of co-operatives by the members

Reported advantages of belonging to co-operatives were obtained through the Force Field Analysis (FFA). Numerous advantages, most of which were similar, were listed by co-operative members. Table 6.3 summarises the listed advantages according to their order of importance as per the scores of importance given in the FFA exercise.

**Table 6.3 Reported advantages of agricultural co-operatives by Inyamvubu, Ingwe-Mndeni and Umphumela co-operatives, 2008**

Advantage	Inyamvubu	Umphumela	Ingwe-Mndeni
Creation of employment for people	✓	✓	✓
Sharing ideas and gaining new knowledge	✓	✓	✓
Serves as a platform for socializing	✓	✓	✓
Sharing of tasks hence faster performance thereof	✓	X	✓
Easy access to government funds	X	✓	X

Note: ✓ indicates that an advantage was listed; X indicates that an advantage was not listed.

Scores given to each advantage during the FFA exercise indicate that creation of employment for people was seen as the most important advantage from all three co-operatives. Table 6.1 showed a large percentage of members who were affiliated with co-operatives due to the unavailability of other jobs. Therefore, it makes sense for co-operative members to report creation of employment as the most important advantage of co-operatives. Sharing of ideas was also listed as the important advantage of collective farming. Gathering people with varied knowledge and information allows the gathered individuals to gain new knowledge from the each other (Stringfellow, 1997). A large percentage of members (74%) from Inyamvubu and 67% from both Ingwe-Mndeni and Umphumela co-operative reported learning skills from one another.

Members of the Ingwe-Mndeni co-operative reported to have learnt farming skills from the chairperson of the co-operative. Sharing of tasks was reported from the Inyamvubu co-operative as another advantage of working as a co-operative. The Manager of Inyamvubu reported strict supervision of members as a strategy of ensuring equal sharing of tasks. According to the Inyamvubu co-operative members, collective farming allows continuation of task performance even in the absence of some co-operative members and this is supported by Hedden & Mollel (2001), arguing that the advantage of collective action is that the absence of one member does not stop activities in a co-operative.

Members of the Inyamvubu co-operative reported that tasks are performed faster in a co-operative due to collective labour in comparison to work done individually. However, only two members are committed to tasks at Umphumela co-operative as the other members are employed outside the co-operative. Therefore, the two committed members felt that being in a co-operative did not guarantee fast performance of tasks. Poor commitment to co-operative activities is a challenge that hinders faster performance of tasks in co-operatives.

Members of the Umphumela co-operative perceived the idea of collective farming as a means of improving opportunities for government funding. Co-operative members have a strong belief they stand better chances since government encourages formalised grouping before funds can be allocated. On the other hand, none of the co-operatives

have received funding from the government, particularly for agricultural purposes. Therefore, co-operative members are holding onto the hope and belief that what has been communicated to them regarding acquisition of funding from the government will come to fruition. All three co-operatives reported collective farming as a socialising platform that takes one's mind away from their problems by sharing. Team work can offer important psychological and social benefits (Marshall, 2005).

#### 6.4 Reported disadvantages of co-operatives

During the focus group discussions, a force field analysis was used to obtain positive forces (advantages) and negative forces (disadvantages) for collective farming. Perceived disadvantages are to a large extent common between co-operatives. However, there were some differences identified between the disadvantages of collective farming. Group dynamics was reported as the umbrella disadvantage of collective farming. Table 6.4 summarizes the disadvantages identified by the three co-operatives.

**Table 6.4 Disadvantages of collective farming: groups' perspective reported by Inyamvubu, Ingwe-Mndeni and Umphumela co-operative, 2008**

Co-operative	Inyamvubu	Umphumela	IngweMndeni
<b>Disadvantages</b>			
	✓	✓	✓
<b>Group</b>	X	✓	✓
<b>dynamics</b>	X	✓	✓
	X	✓	X

Note: ✓ indicates that the disadvantage was listed; X indicates the disadvantage was not listed

##### 6.4.1 Clashing of opinions

Farmers from the three co-operatives reported clashing of opinions as one of the major problems faced by the co-operatives. Co-operatives comprise different individuals with different beliefs that lead to clashing of opinions. FAO (2001) supported that the management of interpersonal relationships is an issue that must be addressed as it has been the cause of co-operatives collapsing. Clashes of opinion are always present when people work collaboratively; what is key is the manner in which members handle the situation. Having a strong constitution that clearly states disciplinary actions against

problematic members and a system agreed upon by everyone to manage clashes is essential (DTI, 2005). Although the Inyamvubu co-operative is a more established co-operative, clashing of opinions occurs between the co-operative members. However, the co-operative has a disciplinary committee that takes disciplinary actions agreed upon by all members.

Furthermore, all three co-operatives reported that it takes a long time to make decisions that are highly likely to satisfy everyone in the co-operative. The majority of members reported dissatisfaction with the way decisions were made. Centralisation of decision making power by management was the most common reason for dissatisfaction of co-operative members. Table 6.5 presents findings on actions that members take when they are dissatisfied with the decisions made in their co-operatives.

**Table 6.5 Actions taken by study co-operative members when dissatisfied in Inyamvubu, Ingwe-Mndeni and Umphumela co-operative, 2008, n=65**

Name of the co-operative	Role in the co-operative	Action when not happy about the decision made			
		Satisfied (%)	Keep quite (%)	Tell everybody (%)	Tell the committee (%)
Inyamvubu (n=53)	Manager	0	0	0	6
	Committee	4	2	8	30
	Member	3	26	19	2
	<b>Total</b>	<b>7</b>	<b>28</b>	<b>27</b>	<b>38</b>
Ingwe-Mndeni (n=6)	Manager	0	0		17
	Committee	0	0	17	33
	Member	0	17	16	0
	<b>Total</b>	<b>0</b>	<b>17</b>	<b>33</b>	<b>50</b>
Umphumela (n=6)	Manager	0	0	0	17
	Committee	0	0	33	17
	Member	0	17	0	16
	<b>Total</b>	<b>0</b>	<b>17</b>	<b>33</b>	<b>50</b>

Good governance entails a management system that supports participation of all stakeholders; it should be transparent, reliable, accountable, practical, and enforceable and have integrity and flexibility (Knight *et al.* 2003). Therefore, there must be a constitution clearly stating the decision making processes agreed upon by all members. It

is important to note that some members remain quiet even when they are not satisfied with the agreements made. Such dissatisfaction leads to members' poor performance of tasks (Knight *et al.* 2003). Results in Table 6.5 indicate the usefulness of the committee in the Inyamvubu co-operative as most members of Inyamvubu report their dissatisfactions to the committee. However, a larger percentage of members remain quiet even when they are dissatisfied. On the other hand, committee members and managers found it easier to raise their dissatisfactions. These findings raise a need for managers to carefully identify strategies to ensure that members are not scared to raise concerns.

#### **6.4.2 Lack of members' commitment**

The Umphumela co-operative has a large percentage of members working elsewhere who always take time off from the co-operative activities. However, members still hope to get a share of benefits obtained from the co-operative. Gadzikwa *et al.* (2007) reported that such members are referred to as free-riders and can have a significant impact on the collapsing of a co-operative. Based on this, it can be said that people tend to view co-operatives as an easy way of accessing cash without necessarily having to work hard.

Ingwe-Mndeni and Umphumela co-operatives reported lack of commitment of some members that lead to the lack of satisfaction with sharing of rewards amongst other members. Members expected to receive equal rewards even though the performance of tasks was not the same between them. Consequently, committed members became discouraged as their efforts benefited the "free-riders". As committed members become discouraged, the entire co-operatives' potential becomes endangered. Committed members of the Umphumela co-operative reported that while they were passionate about farming, the collective idea was not key to the success of the co-operative.

#### **6.4.3 Difficulty in managing groups**

All three co-operatives reported difficulty in managing the group, mainly owing to the dynamics between members of the co-operatives. According to Zeuli (2004), co-operatives are difficult to manage. Group dynamics leading to such difficulties include

among others, members lack of trust of one another. Lack of trust applies mostly between the ordinary members and committee members. All three co-operatives reported that members are concerned about the short-term benefits and tend to overlook the long-term goals that co-operatives have to fulfil. If members of a co-operative have different motives, co-operation in such a group becomes difficult (FAO, 2001). Members are always suspicious that committee members will use funding from government for their own benefit.

The manager of the Umphumela co-operative is faced with allegations about using funding for personal benefits. However, these allegations seem baseless since funding has not been received. The manager highlighted poor provision of information to co-operative members by professionals, particularly extension officers. The manager also reported a need for extension workers to explain how co-operatives work, highlighting the procedure for accessing funds. Seemingly, members are finding it difficult to believe information provided to them by other members, particularly those who are in higher positions within the co-operatives. As a result, committee members of the Umphumela co-operative, experience difficulty in managing mistrustful members. On the other hand, management of the Inyamvubu co-operative highlighted transparency, through accounting to members in meetings, as one way of avoiding misunderstandings in terms of handling finances.

The problem faced by the Umphumela co-operative could be due to deviation from the co-operatives' act as they do not hold regular meetings. While intervention from extension staff is imperative, members themselves need to play their role in terms of transparency by holding meetings and discussing daily operations (DTI, 2005). The Umphumela co-operative is a family co-operative formed by members of an extended family with its own family dynamics. Some members, including the manager of the co-operative, reported difficulties in disciplining members who neglect the rules. Hence, the idea of grouping as a family and venturing into a family co-operative is troublesome. While the co-operatives are challenged by a number of constraints, weaknesses, threats

and disadvantages of collective farming, some advantages of collective farming were reported.

To expand on pros and cons of collective farming, focus group discussions were held with non-members of co-operatives from the three different communities in which the co-operatives were found. The aim was to obtain an indication of the extent of information and opinions about co-operatives from people who are not members of the co-operatives.

### **6.5 Perspectives of non-members of co-operatives**

Participants were asked about the reasons for non-involvement in the agricultural co-operatives. All participants (Table 6.6) from the three communities expressed an interest in joining co-operatives. They (50%) reported the low number of co-operatives available in the communities as a limiting factor. However, the participants are not necessarily passionate about farming as 50% did not practise agricultural activities at their homesteads.

Participants reported a lack of employment opportunities as a motive to engage in agricultural activities. A similarity was identified between members and non-members' motives for involvement in an agricultural co-operative. The young participants finished their matric studies in 2007 and are currently not pursuing studies due to shortage of funds for tertiary fees. When the Inyamvubu co-operative was started they were still at school and they could not join. The willingness of people to join co-operatives explains the growing number of co-operatives every year as reported by Ndlovu (2008). Household gardens are the only agricultural activity undertaken. However, young females reported that they are not involved in gardening and that only their parents work in the gardens. Such lack of willingness to be involved shows that passion for agriculture is not necessarily the only motive for involvement in agricultural co-operative; it could be the only available option that rural people can resort to as a result of unemployment. Table 6.6 summarises the findings from non-members of co-operatives.

**Table 6.6 Summary of the findings from the non-members of co-operatives (n=12)**

		Location of respondent		
		n=4 MooiRiver (%)	n=4 Richmond (%)	n=4 Camperdown (%)
<b>Respondents' willingness to join co-operatives</b>	Yes	100	100	100
	No	0	0	0
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>
<b>Agricultural activities carried out by the respondent</b>	individual subsistence farming	0	50	50
	individual commercial farming	0	0	50
	None	100	50	0
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>
<b>Reasons for not joining co-operative</b>	shortage of co-operatives	50	50	50
	failure of co-operatives	0	50	50
	lack of passion in agriculture	50	0	0
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>

~~Lack of interest to be a co-operative member was reported by only 13.7% of participants~~ in the three focus groups that were held. Reasons for their reluctance to joining co-operatives included failure of co-operatives that have existed in the community, particularly in Richmond. On the other hand, while the participants (though small percentage) have decided not to involve themselves in co-operatives, they have never themselves investigated closely the reasons for failure of co-operatives. Participants, including those who were not keen to be involved in co-operatives, believed that co-operatives have their advantages and disadvantages.

The advantages and disadvantages reported by non-members were similar to those reported by the members of the three co-operatives. According to the participants, farming and selling large quantities of produce to formal markets is impossible when

attempted individually. The participants that were not keen on being in a co-operative acknowledged the independence that one may have when farming as an individual. However, participants believed that if large scale production has to be achieved, collective farming is important. The similarity of opinions for members and non-members on advantages and disadvantages pointed out that for every identified advantage of collective farming there was a disadvantage associated with it.

## **6.6 Constraints faced by the three co-operatives**

Numerous constraints faced by agricultural co-operatives were obtained from the focus group discussions held with the three co-operatives. More information on constraints was obtained through the survey. Discussions of the reported constraints were on the same issues across the three co-operatives. However, explanations given from each co-operative regarding the critical problems faced were found to be different in certain instances. The most critical problems identified by the co-operatives involved issues as presented in table 6.7 were shortage of land, poor provision of extension, lack of resources, poor infrastructure and lack of funding.

### **6.6.1 Land**

Shortage of land appeared to be the common production constraint faced by the three co-operatives, and it was emphasised mostly with the Inyamvubu Co-operative. Market for the produce is available but co-operatives are struggling to keep up with market demand. According to the co-operative members, land accessible to them is insufficient to ensure adequate supply of crops throughout the year. The problem seems to be rooted in the land ownership system in the areas of operation for the co-operatives. The land used by the Inyamvubu co-operative belongs to a commercial farmer. The farmer is willing to sell land to the co-operative and the co-operative applied for assistance from the Department of Land Affairs in 2007. A response was given to them about the lengthy process that the department has to go through and the members are still waiting processing of their application.

Amakhosi (Chiefs) are responsible for land allocation in the areas where Ingwe-Mndeni and Umphumela co-operative are based. The two co-operatives farm on the communal land. FAO (2001) identified pooling of plots of land owned by farmers into a single farming entity as an advantage of farming as a co-operative. On the other hand, there are a large percentage of members (87%) who do not have access to land from the Inyamvubu co-operative. Over 50% of the Ingwe-Mndeni and Umphumela co-operative members do not have access to land. The Ingwe-Mndeni co-operative uses land allocated to the manager of the co-operative.

Male farmers who belong to the three co-operatives that have entitlement to land do not always use it for co-operative activities; this may be due to the unattractive element of pooling the land which leaves farmers with a perceived loss. Members had not been asked by other members to use “their” land for co-operative activities. Collective farming therefore does not guarantee easy pooling of plots for usage by the co-operatives due to the portfolio problem.

Umphumela co-operative faced a serious problem of land ownership during the last visit by the researcher. The co-operative used land that is under the Hlela family’s allocation since the co-operative comprised mainly of members of the Hlela family. However, a male member of the family, who was not part of the co-operative, claimed land from the co-operative members. Since the co-operative members were all female, the cultural belief in the community promotes user rights to males over females. Members were forced to stop using the land. While there is an opportunity for smallholders to rent the under-utilised communal land, as identified by Lyne & Thomson (1998), it is evident that farmers are not taking advantage of the opportunities available in the communal land ownership system. Possibilities for formal rental markets for crop land should be explored and introduced to the co-operatives so that they can take full advantage of the available market.

### 6.6.2 Poor provision of extension services

All three studied co-operatives were not receiving significant help from their extension officers. Members of co-operatives had not received vital information from extension services. Farmers' exhibited a lack of knowledge and information regarding financial institutions from which they could borrow funds to expand their co-operatives. Farmers from the Inyamvubu co-operative suggested that it could be better if platforms connecting communities with the donor institutions could be introduced. Extension workers are often not available for farmers to report matters concerning the co-operative to them. These findings support FAO's (1997) statement that co-operatives are encouraged by government agents simply for more statistical figures in government reports and that they are left without relevant help. The three co-operatives are receiving none of the required guidance. The co-operatives listed a number of problems that required the assistance of their extension workers.

All farmers from the Ingwe-Mndeni co-operative, a large percentage (83%) of Umphumela co-operative members and 74% of Inyamvubu required assistance with agricultural information. Members need information pertaining to farming activities such as organic farming, suitable pest control mechanisms and soil analysis information. The remaining members require information on institutions to improve literacy levels and craft making skills. A farmer from the Umphumela co-operative reported a need for information on managing group dynamics. Furthermore, majority of the farmers from the three co-operatives needed to report the problems of resources shortages such as funding, skills, and information to their extension officers. Farmers require an extension officer to assist in providing them with information on how to mobilise resources. Ferrington *et al.* (2002) emphasised extension service as the main source of farmers' guidance. Clearly, a lack of an important element of service provision, such as extension, will have a negative impact on the success of the smallholder agricultural co-operatives studied here.

### 6.6.3 Lack of resources

Members of the Ingwe-Mndeni co-operative were not clear about the procedure to apply for funding. The Inyamvubu and Umphumela co-operatives have applied for funding from the DAEA and are still awaiting a response to their application. A lack of information among co-operative members was noted as members believed that funding of agricultural activities had to be requested from the Department of Agriculture. In fact, the Department of Economic Development of KwaZulu-Natal is committed in funding of co-operatives with a potential (Ndlovu, 2008). Therefore, while co-operatives stand better chances of accessing funds, members' lack of information was noted as a concern.

Resource constraints do not allow farmers to increase production to meet the market demands. There is growing demand for produce but the resources available to farmers are inadequate. Co-operatives do not have their own implements such as tractors, which sometimes delays cultivation. Farmers from the three co-operatives reported that the DAEA programme provided tractors to be used by needy people in communities. Members reported to have attempted to seek assistance for the use of the tractors a number of times, but were unsuccessful. Therefore, it is evident that government departments should monitor the use of resources for wider accessibility.

Lack of storage facilities was also a constraint faced by the three co-operatives. Produce often perishes before it reaches the market due to inappropriate storage. As a result, farmers experience losses. While the co-operatives have the agreement with formal markets such as supermarkets, other markets such as purchases by community members are often not guaranteed. Therefore losses due to storage constraints often occur when the produce meant for sale to community members is not bought. Although there are government programmes aimed at addressing imbalances amongst smallholders and improving accessibility of productive resources, many smallholder farmers have not received assistance. According to Stringfellow (1997), co-operative farming allows members to pool resources such as farming implements. However, the co-operatives did not own important implements and so had nothing to pool.

#### **6.6.4 Poor infrastructure**

There is a marked difference in infrastructure of the areas where the three co-operatives are based. According to WASA (2005), the history, location, economic condition of the organisation, regulatory context, experience of key personnel and links to other organisations are additional factors that affect performance of smallholder co-operatives. Ingwe-Mndeni co-operative is located in an area that is accessible by a gravel road that is difficult to navigate during rainy seasons. Members sometimes experience problems with transporting supplies from the farm to markets due to the road conditions. Members pointed out that buyers do not come to the area to buy from the co-operative because of the difficulty in accessing the co-operative. Access to telecommunications such as internet and e-mail can simplify communication between buyers and producers and minimise travel costs associated with communication (Matungul *et al.* 2001).

Ingwe-Mndeni and Umphumela co-operatives use direct marketing strategies but they do not have access to the internet, therefore, they incur more costs in terms of travelling to where their buyers are based. Market information can also be distributed using cell phones in order to reduce exploitation of small-scale farmers by providing access to information to negotiate better prices. Distribution of market information through both text message and voice technology, gives even illiterate smallholders power when dealing with buyers (Kirsten *et al.* 2002). However, Umphumela co-operative members experience poor cell phone reception.

#### **6.7 Effectiveness of the three agricultural co-operatives as per the set criteria**

Analysis of the elements influencing the effectiveness of the co-operatives was conducted using the framework (presented in Figure 3.1). The framework was used to analyse the results of the first three sub-problems of this study in order to answer the last sub-problem. Comparison of the three co-operatives is presented in Table 6.7, against the requirements of success for smallholder of co-operatives (as shown in Figure 3.1).

Results, as presented in Table 6.7, indicate that the three agricultural co-operatives had low abilities to mobilise resources, particularly financing. Although the South African

Government has allocated budgets for assisting smallholder agricultural co-operatives, farmers still lack information on this and have not benefited from the funds. Clearly, there is poor dissemination of information from supporting institutions. Therefore, the agricultural co-operatives have not achieved their objective of improving access to government financial assistance.

Analysis of the co-operatives shows that production capability is hampered by lack of land. The mere fact that members who have land do not pool their plots to expand production in the co-operatives indicates that members are not willing to invest their individually owned assets into the co-operatives. Such portfolio problems could be a result of members' perception of themselves as consumers rather than investors in their co-operatives. Marketing and financial management capabilities were affected by low literacy levels. These low capabilities could be due to poverty and poor access to education as well as inadequate training that farmers and managers have received.

**Table 6.7 Evaluation of co-operatives - differences between Inyamvubu, Ingwe-Mndeni and Umphumela co-operative**

Elements for a co-operative to be effective	Inyamvubu	Ingwe-Mndeni	Umphumela
<p>Improved financing</p> <ul style="list-style-type: none"> <li>➤ Ability to mobilise resources</li> </ul>	<p>-Financing depended mainly on profit from the co-operative</p> <p>-Lack of access to government financial assistance, unsuccessful applications to DAEA</p>	<p>-Farmers had little information on the sources of funding available</p> <p>- Farmers had not applied for funding due to insufficient information on application procedures</p>	<p>-Farmers had little information on the sources of funding available</p> <p>-Farmers had not applied for funding due to insufficient information on application procedures</p>
<p>Efficient use of resources</p> <ul style="list-style-type: none"> <li>➤ Ability to utilise resources</li> <li>• Production capability</li> <li>• Marketing capability</li> <li>• Transportation</li> <li>• Financial management</li> </ul>	<p>-Production hampered by lack of production resources such as land, implements, agricultural information</p> <p>-Marketing underpinned by the improved demand, communication with buyers, networking skills</p> <p>-Financial management hampered by poor documentation of information</p> <p>-Usage of own transport, beneficial</p>	<p>- Production hampered by lack of production resources such as land, implements, agricultural information</p> <p>-Marketing and financial management hampered by illiteracy level and poor provision of marketing information e.g. pricing and contractual marketing</p> <p>-Transportation disturbed by poor infrastructure</p>	<p>- Production hampered by lack of production resources such as land, implements, agricultural information</p> <p>-Marketing and financial management hampered by illiteracy level and poor provision of marketing information</p> <p>-Transportation disturbed by poor infrastructure and transaction costs</p>
<p>Well organised institutional framework</p> <ul style="list-style-type: none"> <li>➤ Ability to manage institutional arrangements</li> <li>• Leadership and management</li> <li>• Administration</li> </ul>	<p>-Underpinned by enforcement of the constitution; regular meetings, transparency and good record keeping</p>	<p>-Poor members' commitment due to poor enforcement of the rules</p> <p>-No regular meetings</p> <p>-Centralisation of decision making to the management</p> <p>-Poor record keeping</p>	<p>-Lack of trust between members and the committee</p> <p>-Lack of members' commitment as most of them work elsewhere</p> <p>-Unsatisfactory sharing of rewards(free-rider problem)</p> <p>- No record keeping</p>
<p>Improved market access</p>	<p>-Underpinned by improved infrastructure and improved access to advanced means of communication</p> <p>-Hampered by the supply capability due to lack of resources</p>	<p>-Hampered by poor infrastructure, resulting in high transaction costs</p> <p>-Hampered by the supply capability due to lack of resources</p> <p>-Hampered by lack of market information</p>	<p>-Hampered by poor infrastructure, resulting in high transaction costs</p> <p>-Hampered by the supply capability due to lack of resources</p> <p>-Hampered by lack of market information</p>

Results in Table 6.7 show that the Inyamvubu co-operative displayed abilities to manage institutional arrangements. Enforcement of a constitution agreed upon by all members played a significant role in managing the group dynamics. Transparency was a characteristic of the constitution of the Inyamvubu co-operative and that reduced problems. The co-operative held regular meetings where Managers accounted to members. On the other hand, Ingwe-Mndeni and Umphumela co-operatives suffered from clashing opinions, lack of commitment and unsatisfactory decision making processes. Lack of training was reported as a cause of poor management by the two co-operatives. Ingwe-Mndeni and Umphumela co-operatives had low effectiveness particularly with regard to management skills.

Access to markets was hampered by resource constraints. Shortage of land did not allow co-operatives to diversify or extend agricultural activities. Current land allocation systems do not allow farmers to use their land as collateral when applying for financing. Lack of funding results in limited expansion of production, which further hinders expansion of market access. Results in Table 6.7 indicate the importance of improved infrastructure and access to improved communication. Inyamvubu co-operative had access to e-mail, fax, and telecommunications and improved networking potential. Ingwe-Mndeni and Umphumela co-operatives relied on travelling to where their markets were situated and this resulted in high transaction costs.

Inefficient provision of extension affected the farmers of Ingwe-Mndeni and Umphumela co-operatives as they reported a need to be provided with market information. Farmers from Ingwe-Mndeni and Umphumela co-operatives did not have other means of accessing information as the remoteness of their operations affected television signals and a large percentage of members did not listen to the radio. These results show that regardless of government efforts to minimise the imbalances, some co-operatives in rural areas still miss development benefits and fail to meet their objectives due to the poor infrastructure and government support, particularly extension services. Therefore the three co-operatives had low effectiveness in terms of improving access to markets.

## CHAPTER SEVEN

### CONCLUSION AND RECOMMENDATIONS

This study was set out to identify the elements that constitute effectiveness of agricultural co-operatives among three co-operatives (Inyamvubu, Umphumela and Ingwe-Mndeni) in the Umgungundlovu District. This investigation used a combination of quantitative and qualitative data collection methods. Qualitative data was collected through focus group discussions with members and non-members of co-operatives from the three studied areas. This was done to obtain insight into the opinions, perceptions and reasons for involvement in co-operatives. A follow-up survey was conducted to validate findings from the focus groups. Observation complemented these data collection techniques.

#### 7.1 Conclusions

The three co-operatives carry out a large number of activities including production, marketing and transportation of their produce. The co-operative objectives are similar to the objectives set out for co-operatives by the South African government. The farmers' activities are hampered by a number of constraints that hinder the achievement of the objectives. There are numerous advantages of collective marketing, but there also numerous disadvantages or challenges. The major production constraints faced were lack of resources such as land, machinery, finances and a lack of the necessary agricultural production information. These constraints lead to low production. Marketing constraints included poor networking with potential buyers due to illiteracy, lack of marketing training and poor infrastructure. These problems also lead to poor financial management. The co-operatives faced institutional constraints such as clashing opinions, unsatisfactory decision making, and lack of commitment due to weak institutional frameworks. These constraints render co-operatives ineffective.

The financial constraints faced by co-operatives indicate their inability to mobilise resources and information that in turn reduces the effectiveness of the co-operatives. The inability of co-operatives to utilise limited available and accessible resources such as finance, transport, land and skills was due to horizon, portfolio and free-rider problems.

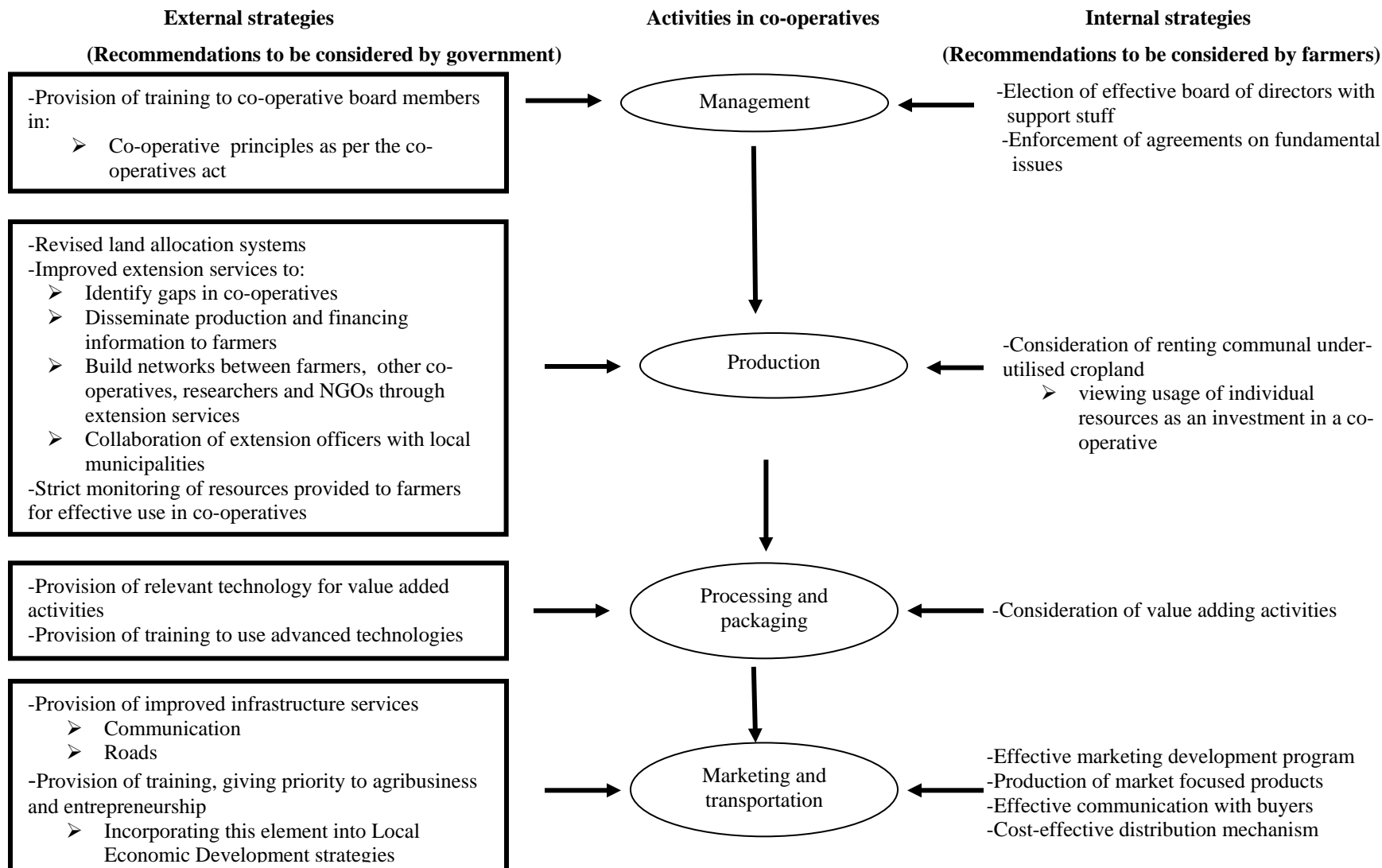
Low capability of the three co-operatives to manage their institutional arrangements also influenced the ineffectiveness of the co-operatives. While the co-operatives achieved some criteria for effective co-operatives, they did not meet all elements of the criteria.

## **7.2 Recommendations**

Lessons learnt from the three agricultural co-operatives identify several elements that are required to achieve co-operative effectiveness. As effectiveness of agricultural co-operatives is influenced by factors within the control of the co-operative and some external to the co-operative, there is a need to identify strategies to be considered by farmers themselves and those that are to be considered by the institutions that support development of co-operatives. A report will be given to the Department of Economic Development in the form of a workshop whereby the framework of recommendations (Figure 7.1) will be presented and discussed. The Deputy Director of the Co-operatives' Division in the Department of Economic Development and other personnel under the unit will be invited to participate in the workshop. The report back will also be given to the three co-operatives and the recommendations in Figure 7.1 will also be presented to farmers.

### **7.2.1 Recommendations for consideration by institutions supporting cooperatives**

The most important recommendation that can be directed to government is that of ensuring the establishment of linkages with the other major role players that are relevant in enabling co-operative development or effectiveness. These role players could be the input suppliers, the NGOs, researchers and buyers. Ensuring improved, close interaction between co-operative members and government personnel is vital. Information on development of agricultural co-operatives in communities needs to be communicated accurately with the co-operatives concerned. Hence, government should ensure intensive training of the co-operatives' management and ordinary members on the principles of co-operatives. Issues such as lack of trust between co-operative members can be avoided by involving an extra party from the supporting institution. Figure 7.1 presents the framework for rethinking strategies of improving effectiveness of smallholder agricultural co-operatives.



**Figure 7.1 Recommended strategies for improving effectiveness of smallholder agricultural co-operatives.**

Government institutions, through extension officers, need to engage further in terms of conveying adequate information about what co-operatives really are in order to avoid speculations that members might have towards one another. Therefore, government departments should strive for and ensure that extension officers are performing their duties efficiently and effectively.

The South African government is working towards provision of resources to communities to support farmers striving for development in their communities. Resources do not assist the needy and the deserving members of the communities. Therefore, extension officers should closely interact with farmers to ensure strict monitoring of government resources used by farmers. Through close interaction with farmers, extension officers could identify the target farmers and co-operatives that are likely to use the resources effectively. Identifying the needy and deserving individuals or groups could ensure accessibility by such individuals and also accountability by the individuals for usage of resources.

Government should implement projects that identify farmers' innovative technologies that support value added activities. Identified technologies should be stimulated and spread to agricultural co-operatives to ensure that co-operatives take advantage of opportunities in value-adding.

### **7.2.2 Recommendations to be considered by members of co-operatives**

The most important strategy that can be recommended for people involved in co-operatives is that of striving for efficient and effective management that is well equipped with entrepreneurship skills, networking skills, financial management skills and strong understanding of what management entails. Managing bodies of the co-operatives should enforce the constitution as agreed upon by all members without fear of ensuring the implementation of the rules drafted for their co-operatives. In addition, these management bodies need to ensure that the income derived from the co-operative is able to keep members happy and this is likely to contribute towards members' commitment to their co-operatives.

While members of co-operatives had difficulties in raising external funds, they could have used strategies such as collective mobilisation through raising fund from their own savings. Strategies such as distributing benefits or dividends to member-owners according to use can be recommended. The number of shares a member owns should determine the proportion of the patronage refunds received by each member at the end of each year. Such distribution is likely to serve as a reward to members that commit themselves and their resources into the co-operative activities and in turn encourage other members to invest in co-operatives. Farmers need to start viewing themselves as investors in the co-operatives and be willing to wait for long term benefits instead of focusing on having money now. Co-operatives should strive to become self-reliant and to accumulate capital for themselves to remain free or to avoid solely relying on external financial assistance.

Co-operatives have a vast marketing advantage and collective production is likely to be a success if the recommendations of this study could be considered for execution by farmers and the government departments. Alternatively, farmers could produce individually and combine their produce for effective marketing.

### **7.2.3 Implications for further research**

This study identified a number of advantages associated with collective marketing but provided evidence that collective production is not always beneficial. Further research could explore the alternative of individual production and the incentives associated with it. Chances of success in individual production and elements constituting such success need to be investigated. Such investigation could provide information that allows comparison between collective action with individual action focusing on production and marketing.

## REFERENCES

- AINA LO (2007). Rural People's Organisations in a Liberalised Market Economy. [WWW document] URL <http://www.ifla.org/IV/ifla/73/papers/120-Aina-en.pdf> (Accessed 2008, October 25).
- ALIBER M, KIRSTEN M, MAHARAJ R, NHLAPO-HLOPE J & NKOANE O (2006). Overcoming underdevelopment in South Africa's second economy. *Development Southern Africa* 23(1): 40-61.
- ALIBER M (2005). *Trends and Policy Challenges in Rural Economy*. Human Science Research Council. Working paper No. 3. Pretoria.
- BABIE E & MOUTON T (2001). *The Practise of Business and Social Research*. Oxford University Press: Oxford University. Pg 21-30.
- BARRATT N (1989). *The co-operative model as an instrument in the community economic development process*. Institute of Social and Economic Research, Working Paper No. 41, Rhodes University. Grahamstown.
- BEMBRIDGE TJ (1997). Agricultural publications in smallholder farmer extension. *South African Journal of Agricultural Extension* 26:1-10.
- BRIERTY EG (1999). *Business to Business Marketing*. 3<sup>rd</sup> Edition. Prentice Hall Inc, New York. Pg 54-60.
- BOUGHTON D, MATHER D, BARRETT C, BENFICA R, ABDULA D & CUNGUARA B (2006). *Market participation by rural households in a low-income country: an asset-based approach applied to Mozambique*. [WWW document]. URL <http://www.ifla.org/papers/120%20Dec2006> (Accessed 2007, March 24).
- CAMP K (1999). *The Database of Bioresource Units of KwaZulu-Natal*: KwaZulu-Natal Department of Agriculture and Environmental Affairs, Pietermaritzburg.
- CHRISTIANSEN RE (1990). *Markets, Marketing Boards and Co-operatives in African issues: Adjustment in policy*. The World Bank, Washington DC. Pg 402-406.
- COASE R (1937). The nature of the firm. *Economica* 4(16):386-405.
- COOK ML & ILLIOPOULOS C (2000). Ill-defined property rights in collective action: the case of United States agricultural co-operatives. *Economica* 4(16): 300-305.
- COOK LC (1995). The future of United States agricultural cooperatives: A Neo-classical approach. *American Journal of Agricultural Economics* 77(5):1153-1159.

DELGADO C (1999). Sources of growth in smallholder agriculture in sub-Saharan Africa: the role of vertical integration of smallholders with processors and marketers of high value-added items. *Agrekon* 38 :165-189.

DEPARTMENT OF TRADE AND INDUSTRY (2005). *A co-operative development policy for South Africa*. [WWW document]. URL <http://www.dti.gov.za/co-operative/co-operativespolicy.pdf> (Accessed 2007, July 13).

DEPARTMENT OF TRADE AND INDUSTRY (2004). *A co-operative development policy for South Africa*. [WWW document]. URL <http://www.dti.gov.za/co-operative/co-operativespolicy.pdf> (Accessed 2007, August 25).

De VOS AS (1998). *Research at Grassroots*. 1st Edition. Van Schaik Publishers, Pretoria. Pg 405-408.

DIXON R (2004). *Black empowerment policy stirs criticism*. [WWW.document]. URL <http://articles.latimes.com/2004/dec/15/fg-empower15> (Accessed 2008, September 5).

DUMMON G & ENSOR J (2001). *Strategic Marketing*. 2<sup>nd</sup> Edition. Educational & Professional Publishing Ltd, Oxford. Pg 7-11.

DUVEL GH (2004). Developing an appropriate extension approach for South Africa: process and outcome. *African Journal of Agricultural Extension* 33(1):1-10.

ERSKINE JM (1991). *Strategies for Transforming Subsistence Farming To Small-Scale Commercial Agriculture*. Institute of Natural Resources, Tokyo. Pg 57-63.

ETZEL MJ (1997). *Marketing*. 3<sup>rd</sup> Edition. McGraw Hill Companies Inc, Washington DC. Pg 45-50.

FARRINGTON J, CHRISTOPLOS I & KIDD AD (2002). *Extension, poverty and vulnerability: the scope for policy reform*. [WWW.document].[http://www.odi.org.uk/publications/working\\_papers/wp155\\_a.pdf](http://www.odi.org.uk/publications/working_papers/wp155_a.pdf) (Accessed 2007, September 13).

FERRIS SE, KAGANZI R, BEST R, OSTERTAG C, LUNDY M & WANDSCHNEIDER T (2006). *A Market Facilitator's Guide to Participatory Agri-enterprise Development*, 1st ed. Colombia: Cali. Pg 71-82.

FOOD AND AGRICULTURAL ORGANISATION (FAO) (2007). New Strategies for mobilising capital in agricultural co-operatives. [WWW.document]. <http://www.fao.org/dcrep/007/y5469e/y5469e05.htm> (Accessed 2009, February 25).

FOOD AND AGRICULTURAL ORGANISATION (FAO) (2003). *Role of government institutions for promotion of agriculture and rural development*. [WWW.document]. URL <http://www.fao.org/docrep/006/ad709e/ad709e06.htm> (Accessed 2007, September 20).

FOOD AND AGRICULTURAL ORGANISATION (FAO) (2001). *Agricultural co-operatives: FAO's perspective*. [WWW.document]. URL <http://www.opagva.org/idc/faoidc/fa0-idx2001.htm> (Accessed 2008, August 4).

FOOD AND AGRICULTURAL ORGANISATION (FAO) (1997). *The co-operative advantage: FAO's perspective*. [WWW document]. URL <http://www.opagva.org/idc/faoidc/fa0-idx2001.htm> (Accessed 2007, June 11).

FOXALL G (1982). *Co-operative Marketing in European Agriculture*. Gower Publishing Company Limited, United Kingdom. Pg 42-47.

FREDIRICK DA (1997). *History of co-operatives*. [WWW.documents]. URL: <http://www.umanitoba.ca/afs/agric-economics/ardi/history.html> (Accessed 2008, November 12).

GADZIKWA L, LYNE MC & HENDRIKS SL (2007). *Horizontal coordination and free-riding in an organic certified smallholder group: an empirical study of the Ezemvelo Farmers' Organisation in KwaZulu-Natal, South Africa*. *African Journal of Agricultural and Resource Economics* 1(2): 129-144.

GADZIKWA L (2006). *Appropriate institutional and contractual arrangements for the marketing of organic crops produced by members of the Ezemvelo Farmers' Organisation in Kwazulu-Natal*. Unpublished PhD thesis, African Centre for Food Security. Pietermaritzburg: University of KwaZulu-Natal.

GALOR Z (2004). *Failures of cooperatives*. [WWW document] URL <http://www.coopgalor.com> (Accessed 2007, September 3).

GERTLER M (2001). *Rural cooperatives and sustainable development*. [WWW.document]. URL <http://www.coopdevelopmentcenter.coop> (Accessed 2007, July 18).

HAGGABLADE S, HAZELL P & KIRSTEN I (2004). African agriculture: past performance, future imperatives. In: INTERNATIONAL FOOD POLICY

RESEARCH INSTITUTE, 2020 Vision. *Building on successes in African agriculture*. United States: Washington, DC, Pg 33.

HAWKINS HS & VAN DEN BAN AW (1996). *Agricultural Extension*. Blackwell Science Ltd, London. Pg 33-37.

- HEDDEN B & MOLLEL NM (2001). Small-scale farming and extension in South Africa's Northern Province. *South African Journal of Agricultural Extension* 4(1): 5-20.
- HENDRIKS SL & MSAKI MM (2006). The influence of smallholder commercialization on dietary diversity and consumption patterns in KwaZulu-Natal, South Africa. Contributed poster paper presented at the International Agricultural Economics Association Meeting, 12–18 August. Gold Coast. Austria.
- HOLLOWAY GJ, NICHOLSON C, DELGADO C, STAAL S & EHUI, S (2000). Agroindustrialisation through institutional innovation: transaction costs, cooperatives and milk-market development in the East African Highlands. *Agricultural Economics* 23(5):279-288.
- INNGS M (2007). *KwaZulu-Natal co-operatives get R220m*. [WWW.document]. URL <http://www.buserep.co.za/index.php?fArticleID=3654707> (Accessed 2005, June 11).
- INTERNATIONAL COOPERATIVE ALLIANCE (ICA) (2005). Co-operatives in South Africa. [WWW. Document]. URL <http://www.ica.coop/> (Accessed 2007, July 10).
- IOWA STATE UNIVERSITY EXTENSION, (ISUE) (2001). *Force-Field Analysis*. [WWW.document]. URL <http://www.extension.istate.edu/communities/tools/forcefield.html> (Accessed 2007 October 5).
- KEY N, SADOULET E & DE JANVRY A (2000). Transactions costs and agriculture household supply response. *American Journal of Agricultural Economics* 82(9): 245-259.
- KHERALLAH M & KIRSTEN J (2001). Application for agricultural policy research in developing countries. Discussion paper No. 41. International Food Policy Research Institute. Washington DC.
- KIM J & MAHONEY JT (2005). Property rights theory, transaction costs theory, and agency theory: an organizational economics approach to strategic management. *Managerial and Decision Economics* 26(1): 223–242.
- KIRSTEN J & MYLENE K (2001). The New Institutional Economics: applications for Agricultural Policy Research in Developing Countries. Discussion paper No. 41. Food Policy Research Institute: Washington DC.
- KIRSTEN JF & ROETS M (2005). Commercialisation of goat production in South Africa. *Small Ruminant Research* 60(2): 187-196.
- KIRSTEN J, GOUSE M & JENKINS L (2002). *Cotton in South Africa: adoption and the impact on farm incomes amongst small-scale farmers*. Proceedings of the Sixth International Consortium on Agricultural Biotechnology Research, 11-14 July. Italy.

KIRSTEN J (1998). Commercialising subsistence farming. In: KIRSTEN J, VAN ZYL J & VINK N (1998) (eds). *The agricultural democratization of South Africa*. AIPA/Francolin publishers: Cape Town.

KLEIN PG (1999). *New Institutional Economics*. [WWW document]. URL <http://encyclo.findlaw.com> (Accessed 2007, August 8).

KNIGHT S, LYNE M & ROTH M (2003). Best institutional arrangements for farm worker equity-share schemes in South Africa. *Acta Horticulturae* 69(9):283-290.

LIEBENBERG F (2000). *National agricultural systems: the case of South Africa*. [WWW.document]. URL <http://www.isnar.org/pdf/inars/southafrica.pdf> (Accessed 2007 June 17).

LYNE MC & COLLINS R (2006). *South Africa's New Cooperative Act: a missed opportunity for small farmers and land reform beneficiaries*. Unpublished paper. University of KwaZulu-Natal. Pietermaritzburg.

LYNE MC & FERRER SRD (2006). A focus on land redistribution including restitution. *Development Southern Africa* 5(2): 116-122.

LYNE MC & THOMPSON DN (1998). Creating opportunities for farmers in communal areas: Adapting institutions to promote an efficient rental market in arable land. In Kirsten J, van Zyl, J and Vink, N (eds.), *The Agricultural Democratization of South Africa*. Francolin Publishers (Pty) Ltd, Cape Town.

LYNE MC (1996). Transforming developing agriculture: establishing a basis for growth. *Agrekon* 35(4):188-192.

MACHETHE CL (2004). Agriculture and poverty in South Africa: can agriculture reduce poverty? Paper delivered at the United Nations Development Programme, Human Science Research Council and Development Bank of Southern Africa Conference on overcoming under-development in South Africa's second economy, 22-26 October. University of Pretoria. Pretoria.

MACHETHE CL (1990). Factors contributing to poor performance of agricultural cooperatives in less developed areas. *Agrekon* 29(4):305-309.

MAGINGXA LL, ALEMU ZG & Van SCHALKWYK HDV (2006). Factors influencing the success potential in smallholder irrigation projects of South Africa: a principal component regression. Paper prepared for presentation at the International Association of Agricultural Economists Conference, 12-18 August 2006. Gold Coast. Austria.

MAKHURA MT (2001). *Overcoming Transaction Costs Barriers to Market Participation of Smallholder Farmers in the Northern Province of South Africa*. Unpublished PhD thesis. Department of Agricultural Economics, Extension and Rural Development, University of Pretoria, Pretoria.

MAKONGOSO P (2009). The Kissi District Co-operative Officer. Personal communication. 24 February.

MALTSOGLOU I & TANYERI-ABUR A (2005). *Transaction costs, institutions and smallholder market integration: potato producers in Peru*. [WWW document]. URL <http://ideas.repec.org/p/fao/wpaper/0504.html> (Accessed 2007, April 9).

MANONI SS (2005). *Smallholder development strategy in rural South Africa: exploring prospects in Pondoland, Eastern Cape*. Unpublished PhD thesis, Department of Agricultural Economics and Extension. University of Western Cape: Cape Town.

MARSHAL GR (2005). Catalysing common property farming for rural sustainability. *Agribusiness Review* 13(17): 144-158.

MATUNGUL PM, LYNE MC AND ORTMANN GF (2001). Transaction costs and crop marketing in the communal areas of Impendle and Swayimana, KwaZulu-Natal. *Development Southern Africa* 11(3): 347-361.

MINISTRY OF AGRICULTURE AND LAND AFFAIRS (MALA) (1998). *Agricultural policy in South Africa*. [WWW document]. URL <http://www.nda.agric.za/docs/policy98.htm> (Accessed 2008, October 20).

MKHIZE (2009). The co-operative movement in South Africa. Speech at the International Co-operatives Conference, 24 February 2009. Durban.

MOLOI MJ (2007). *Commercialisation of emerging vegetable producers in the Western Cape province of South Africa*. [WWW document]. URL <http://www.ifama.org/tamu.org/tamu/iana/conferences/2007conference/symposiumPaperfiles/1182-paper.pdf> (Accessed 2009, February 10).

MOHAMED FA (2004). Role of agricultural co-operatives in agricultural development: the case of Menofiya Governorate, Egypt. Unpublished PhD thesis, Faculty of Land Development. Rheinischen Friedrich-Wilhelms University: Mansoura.

MORRIS R (2001). *Psychology and group performance*. [WWW document]. URL <http://communication.sbs.ohio-state.edu/sense-making/diss/dissabsmorriss01.html> (Accessed 2007, October 10).

MPHAHLWA M (2008). *International co-operatives day speech*. [WWW document]. URL [http://www.polity.org.za/article.php?a\\_id=137397](http://www.polity.org.za/article.php?a_id=137397) (Accessed 2008, October 27).

MTHEMBU N (2008). *Perceptions of barriers to market participation among three farmer groups in rural KwaZulu-Natal*. Unpublished Masters dissertation, African Centre for Food Security. Pietermaritzburg: University of KwaZulu-Natal.

- MURRAY F & KONSTANTINOS G (2003). *Agricultural co-operatives and cost reducing in the agrifood system*. [WWW document]. URL <http://ideas.recep.org/p/ags/aaea03/22193.html>. (Accessed 2009, March 28).
- NATIONAL CO-OPERATIVE ASSOCIATION OF SOUTH AFRICA (NCASA) (2003). *Building a South African co-operative movement*. [WWW document]. URL <http://www.anc.org.za/ancdocs/pubs/umrabulo18/build.html> (Accessed 2007 June 5).
- NATIONAL DEPARTMENT OF AGRICULTURE (NDA) (2005). *Norms and standards for the establishment of agricultural marketing infrastructure*. Pretoria.
- NATIONAL INSTITUTE FOR ECONOMIC POLICY (2004). Privatisation and regulation in South Africa. Paper delivered at the International Conference on Pro-Poor Regulation and Competition: Issues and Practices, 14-15 August 2004. Cape Town.
- NDLOVU N (2008). Co-operatives' Assistant Manager. Department of Economic Development, KwaZulu-Natal. Personal communication, November 4.
- NGQANGWENI SS (2000). *Promoting income and employment growth in the rural economy of the Eastern Cape through smallholder agriculture*. Unpublished PhD thesis, Department of Agricultural Economics, Extension and Rural Development. University of Pretoria: Pretoria.
- NILLSON J (2001). Organizational principles for cooperative firms. *Scandinavian Journal of Management* 17(3):329–356.
- NZIMANDE B (2009). The co-operative movement in South Africa. Speech at the International Co-operatives Conference, 24 February 2009. Durban.
- OLSON M (1975). *The Logic of Collective Action: public goods and the theory of groups*. 2<sup>nd</sup> edition. Harvard University Press, pg 23-29. Washington DC.
- ORTMAN GF & KING RP (2007). Agricultural co-operatives: can they facilitate access of small-scale farmers in South Africa to input and product markets. *Agrekon* 46(2): 52-60.
- PEACKOCK C & JOWETT A (2006). *Investments in smallholder agriculture in sub-Saharan Africa*. [WWW document]. URL <http://www.farmafrica.org.uk/documents.20.pdf> (Accessed 2008, October 5).
- PHILIP K (2003). *Co-operatives in South Africa: their role in job creation and poverty reduction*. [WWW document]. URL <http://www.sarpn.org.za> (Accessed 2008, April 20).
- PLACE F, KAIKURI G, WANGILA J, KRISTJANSON P, MAKAUKI A & NDUBI J (2002). *Assessing the factors underlying differences in group performance*:

*methodological issues and empirical findings from highlands of central Kenya*. Working paper No. 25. International Food Policy Research Institute. Washington DC.

PORTER P & SCULLY G (1987). Economic efficiency and cooperatives. *Journal of Law and Economics* 30(2): 489–512.

PRAKASH D (2004). *Capacity building of agricultural co-operatives to meet the market and human resources development demands: a step-by-step approach*. [WWW document]. URL <http://ageconresearch.umn.edu/bitstream/9418/sp07fr04.pdf> (Accessed 2009, March 9).

ROUSE J (1996). *Rural people's organisations in a liberalised market economy*. [WWW document]. URL <http://www.fao.org/sd/rodirect/ROan002htm> (Accessed 2008, October 10).

ROY EP (1994). *Co-operatives: Today and Tomorrow*. The Interstate Printers and Publishers Inc, USA. Pg 14-20

ROYER JS (1999). Cooperative organisational strategies: a neo-institutional digest. *Journal of Cooperatives* 14:44-67.

RUERD R & FRANCESCONI GN (2007). *Impact of collective action on smallholder and commercialisation: evidence from dairy in Ethiopia*. [WWW document]. URL <http://ageconresearch.umn.edu/bitstream/9418/1/sp07fr04.pdf> (Accessed 2009, February 10).

SANDLER T (1992). *Collective action: theory and applications*. The University of Michigan Press: Washington DC.

SHARP K (2007). Commercialisation of smallholder agriculture in selected areas of Ethiopia. *Ethiopian Journal of Economics* 16(1): 57-58.

SMITH DJG (1979). The co-operative field: an overall overview. *Agrekon* 18(3):11-15.

SNAPE D & SPENCER L (2000). *A guide for social science students and researchers*. [WWW document]. URL <http://books.google.co.za/books?hl=en&id=25YOLCT8YNUC&dq=social+reseach&printset=frontcover&source=web&ots.htm> (Accessed 2008, September 22).

STEFANO L (2004). *Printed Information Access, Preferences and Use by Farmers with Potential for Smallholder Organic Production, KwaZulu-Natal*. Unpublished MAgric (Food Security) dissertation, Food Security Programme, School of Agricultural Sciences and Agribusiness, University of KwaZulu-Natal, Pietermaritzburg.

STRINGFELLOW R (1997). Improving the access of smallholders to agricultural services in Sub Saharan Africa. *Small Enterprise Development* 8(3):3-20.

SYKUTA ME & COOK ML (2001). A New Institutional Economics approach to contracts and cooperatives. *American Journal of Agricultural Economics* 83(5):1273-1279.

TAYLOR F FAYOL H & MAYO E (2004). *Opinions about organisational effectiveness*. [WWW document]. URL <http://209.85.229.132/search?q=cache:Fim2dVB03EJwww.iun.edu/bnwcls/w430/orgeff.ppt+approaches+for+measuring> (Accessed 2009, April 3).

THAMAGA-CHITJA J (2008). *Determining the Potential for Smallholder Organic Production Among Three Farming Groups Through the Development of an Empirical And Participatory Decision Support Tool*. Unpublished PhD thesis, African Centre for Food Security. University of KwaZulu-Natal. Pietermaritzburg.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) (2007). *Boost for emerging farmers*. [WWW document]. URL <http://www.usaid.gov/sa/press120.html> (Accessed 2008, August 5).

VAN ZYL L, 1998. *South African agriculture in transition: the 1990's*. Department of Agricultural Economics, Extension and Rural Development. Working Paper No. 110: 1-6. University of Pretoria: Pretoria.

VITALIANO P (1983). Cooperative enterprise: an alternative conceptual basis for analysing a complex institution. *American Journal of Agricultural Economics* 65:1078–1083.

WASTE ASSOCIATION OF SOUTH AFRICA (WASA) (2005). *Umgungundlovu District Municipality*. [WWW document]. URL <http://kzninvestment.co.za/205/KZN Municipality/ /index.htm> (Accessed 2007, September 24).

WOODEND JJ (2003). *Potential of contract farming as a mechanism for commercialisation of smallholder agriculture: the Zimbabwe case study*. [WWW document]. URL <http://ftp.fao.org/docrep/fao/010/ah925e00.pdf> (Accessed 2009, March 3).

ZEULI KA (2004). Co-operatives leaders focus on strategies for success. *Rural cooperatives* 71(1): 21-22.

ZEULI KA & CROPP R (1980). Co-operative leaders focus on strategies for success. *Rural Cooperatives* 71(2):21-2.

## APPENDICES

### APPENDIX A: GUIDE FOR FOCUS GROUP DISCUSSIONS

**Name of the co-operative:**

**Location:**

**Number of members:**

1. What is the history of this co-operative i.e. when was it started, when was it registered, who started it?

2. What are the objectives of this co-operative?

3. What kind of activities do you carry out in this co-operative throughout the year?

4. Who qualifies to be a member of this co-operative?

5. Are the number of co-operative members increasing or decreasing? Why?

6. Do you sell any products? Y/N

If yes, what products do you sell?

Who is your market?

How did you find your market?

7. How are the sales as compared to the past?

8. Where did you get money to start this co-operative?

9. Do you know anything about the financial institutions from which you can obtain the loan?

If yes what do you know?

Have you applied for the loan before?

Was the loan granted to you?

If yes what was the money used for?

If no, what reasons were provided?

10. Do you get any kind of support from the extension officer?

If yes, what kind of support?

11. How do you divide the tasks amongst yourselves?

12. Do you encounter any problems relating to the performance of tasks?

If yes, what kind of problems?

How do you solve them?

13. Do you experience any conflicts?

If yes, how do you resolve them?

14. Do you keep records?

If yes, what kind of records?

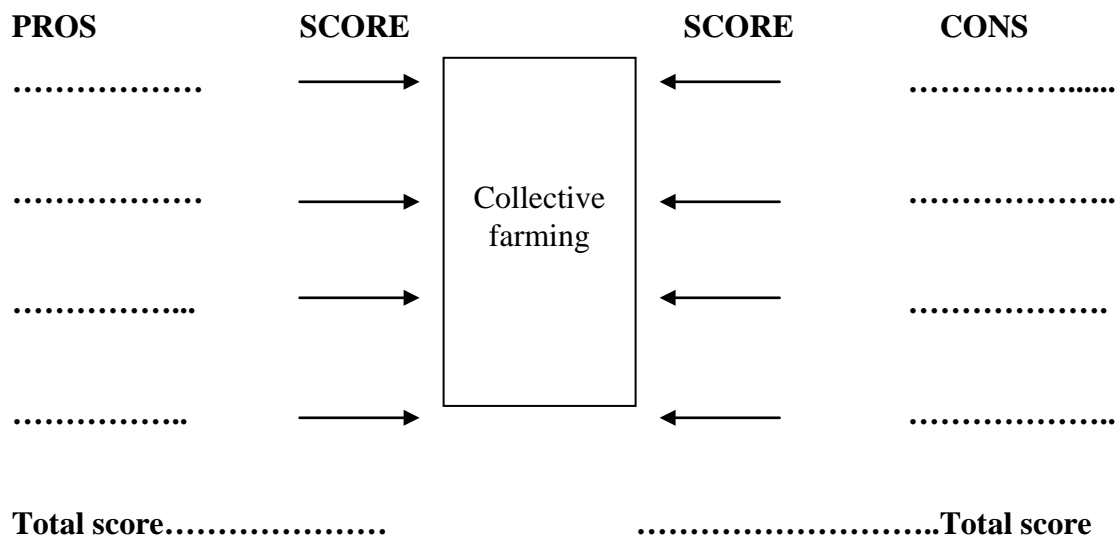
If no, why?

15. Do you have a constitution?

16. What action does the group take if a member is problematic?

17. What are the major constraints you face?

18. What are the advantages and disadvantages of working as a co-operative? Give scores  
(Application of force field analysis)



## APPENDIX B: SURVEY INTERVIEW QUESTIONNAIRE



**University of KwaZulu-Natal**  
**School of Agricultural Sciences and Agribusiness**  
**African Centre for food Security**

**YOUR SURVEY RESPONSES WILL BE KEPT STRICTLY CONFIDENTIAL**

**THANK YOU FOR YOUR PARTICIPATION IN THE STUDY**

**Name**.....

**Age in years**.....

**Gender**.....

**Marital status**.....

**Education level:** Primary  Secondary  Tertiary

**Name of the co-operative:**

Inyamvubu  Ingwe-Mndeni  Umphumela

**Sources of income**.....

**Location**.....

**Role in a co-operative:**

Manager  Committee member  Member

### SECTION A: AGRICULTURAL ACTIVITIES

1. How often do you carry out the co-operative's activities?

Everyday	
Often	
Sometimes	
Only if I have nothing else to do	

2. How do you maintain balance between household demands and co-operatives demands in terms of task performance?

---



---



---



---

3. In your opinion, is the sharing of tasks fair in this co-operative?

Yes

No

State the reason.

4. Do you think you will be with this co-operative for a long period of time?

Yes

No

State the reasons.

---

## **SECTION B: INSTITUTIONAL ARRANGEMENT**

5. How do you elect the committee?

---

6. Are you happy with the way of electing the committee in this co-operative?

Y/N

Explain 

---

7. Who makes most decisions in this co-operative?

---



---

8. What do you do if you are not happy about the decision?

---



---

9. How often do you have meetings?

---

### SECTION C: FOLLOW UP QUESTIONS ON CONSTRAINTS

10. Is any of your land used by this co-operative? Y/N

Why?

---

11. What kind of information would you like your extension officer to help you with?

---



---



---

12. Currently, how do you obtain agricultural information?

TV

Radio

Colleagues

Experts

13. What kind of problems would you like to report to your extension officer?

---



---



---

### SECTION D: BENEFITS

14. What benefits do you obtain from being involved in this co-operative?

Income

Food

Social benefits

Skills

Elaborate \_\_\_\_\_

15. Do you learn from others in this co-operative? Y/N

If yes what have you learnt?

If no, why?

16. Have you asked for help from any co-operative member? Y/N

If no, why?

If yes, did you get it?

17. How often do you ask for time off?

---



---

18. For what reasons do you ask for time off?

---



---

19. Have you ever received training? Y/N?

If yes, what kind of training did you get?

If no, why?

What kind of training do you need, if at all?

20. How has your life changed since you have been involved in this co-operative?

---



---



---



---

21. Farming as a co-operative is the best way of farming

Strongly agree  Agree  Neutral  Disagree  Strongly disagree

Elaborate.

---

**APPENDIX C: FOCUS GROUP QUESTIONNAIRE FOR NON-MEMBERS OF CO-OPERATIVES**

1. Why are you not members of a co-operative?
2. What agricultural activities do you carry out?
3. What are your main objectives?
4. Have you ever been involved in a co-operative?  
If yes, what were the reasons for quitting?  
If no, do you ever think of joining co-operatives?
5. What are the main benefits of being individual farmers?
6. Can you comment on the disadvantages and advantages of farming as a co-operative?
7. Can you comment on the advantages and disadvantages of farming as an individual?