

UNIVERSITY OF KWAZULU-NATAL

**VULNERABILITIES OF RURAL AGRICULTURAL CO-OPERATIVES IN
KWAZULU NATAL: A CASE STUDY OF AMAJUBA DISTRICT, SOUTH AFRICA.**

By

Hlengiwe Ntongolzi Dube

Student Number: 213572399

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Supervisor: Mr S Msomi

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DECLARATION

I, Hlengiwe Ntongolozzi Dube declare that this dissertation titled “vulnerabilities of rural agricultural co-operatives in Kwa Zulu natal: a case study of Amajuba District, South Africa” is my own work and that all the sources that have been used or quoted, have been acknowledged and/or referenced accordingly.

Signature (Mrs H.N Dube)

Date

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ABSTRACT

The use of cooperatives as a development tool is another strategy that is used by the South African government in trying to make all people participate in country's economic activities, thereby reducing poverty and unemployment. Notwithstanding, there are many challenges that constrain the development of cooperatives. This study is based on the attempt to understand these challenges, as well as the interest to find lasting solutions. Using a case study of Amajuba District in Northern KwaZulu Natal, the study sought to gain understanding of how rural based cooperatives cope with internal and external vulnerabilities. A total of ten cooperative representatives were interviewed to this end.

The research found that agricultural cooperatives in the district continue to experience significant problems, which have hindered their development. The main identified reason for the failure of cooperatives in the district has been the lack of interest from members. Other internal challenges include conflict among members and poor management. The study also identified external challenges such as lack of training and skills, lack of access to land, lack of finance and lack of monitoring and evaluation of their initiatives. These challenges, the study has argued, should motivate the government to provide the necessary support to rural based cooperatives, through provision of training, facilitation of credit access inclusive of financial grants, infrastructure and extension of quality services. This support will enable small scale cooperatives to compete with larger economic players in a free market system. The government should also introduce better ways to present the concept of cooperatives to South African communities that will be adding value to the growth of a country.

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CHAPTER ONE: INTRODUCTION

1.1. INTRODUCTION

Since the democratically elected government in 1994, South Africa has made efforts to address poverty, unemployment and inequality, all which hold the country back from a thriving developed economy (Department of Trade and Industry, 2005). Few South Africans occupy the top income category while majority fall under lower middle class or even below the poverty line (Statistics South Africa, 2005). This majority according to Statistics South Africa (2005) is roughly half of the country's population, and two thirds of this half live in the rural areas. On rural poverty, Dercon (2008:3) goes as far as pointing out that "Poverty is still predominantly a rural phenomenon. Pick a random poor person in the world, and the odds are that this person will be living and working in the rural areas as a farmer or agricultural worker". This is the case in South Africa. Further analysis suggests that well over half of all poor people in the country (56%) are black South Africans, with roughly two thirds of these being women (Statistics South Africa, 2005).

What is more, South Africa's social indicators (life expectancy, infant mortality and literacy levels) are equivalent to those of low income countries, notwithstanding that South Africa is classified as a higher middle income country in terms of Gross Domestic product (GDP) per capita and economic structure (Van Der Berg, 2010).

The above noted reality requires aggressive efforts on the part of the state, working with other stakeholders, to address poverty more sustainably. This is an economic objective, as it is social. Social because by improving household and individual incomes, the levels of life expectancy, infant mortality and literacy are likely to follow suit. Aware of these challenges and the need to resolve them, South African government has formulated strategies which are hoped to transform the country, especially by reducing unemployment, poverty and inequality. The Reconstruction and Development programme (RDP), Growth, Employment and Redistribution Strategy (GEAR), Accelerated and Shared Growth Initiative South Africa (Asgisa), and the New Growth Path, all these policies have sought to address the noted challenges. Other focused policies include the Affirmative Action Policies such as the Black Economic Empowerment (BEE), Employment Equity among others, all aim to redistribute wealth to the previously disadvantaged (DTI, 2013).

Amidst these initiatives is a cooperative development policy which was first developed in 2004. The policy outlined sixteen objectives, all of which revolve around enhancing the capabilities of cooperatives as a means of transforming the economy. The strategy further diagnoses two main types of cooperatives, emerging and established (DTI, 2004). The emerging enterprises are found in various sectors while the established cooperatives are located in the agricultural sector (DTI, 2004).

The National Development Plan (NDP), the country's long term development plan underlines the importance of cooperatives in addressing the challenges of development (Republic of South Africa, 2012). Other policies which support cooperatives development include the Women Empowerment Strategy (WES), Industrial Policy Action Plan (IPAP), Integrated Strategy for Small, Medium and Micro Enterprises (SMMEs), National Industrial Policy Framework (NIPF), Broad Based Economic Empowerment (BBBEE), Micro Agricultural Finance for South Africa (MAFISA), Anti-poverty Strategy and National Youth Empowerment Strategy (Department of Trade and Industry, 2013). These are all policy instruments and government efforts in trying to achieve the inclusive growth, with cooperatives playing a critical role.

On a provincial level, KwaZulu-Natal (KZN) government is also in full support of the cooperative development due to their ability to reach all communities and therefore make positive contribution towards the development of the province and the country at large. According to Company's Intellectual Property Commission (CIPRO, 2013), as at 31 March 2009, out of 43 062 total number of cooperatives registered, KZN contributed the largest percentage of 26%, followed by the Gauteng province with 20% and the last contributing province was Northern cape with 2%. The high percentage of cooperatives in KZN is partly due to the strong political will by the KZN government, the support measures in place and procurement opportunities available for cooperatives. The KZN Department of Economic Development, Tourism and Environmental Affairs (DEDTEA) in particular is tasked with, among other priorities, development of cooperatives within the province. The DEDTEA has well established offices in all the Districts in the province, thus providing a more effective plan for cooperatives development.

Notwithstanding these initiatives, the 2009 KZN cooperatives development strategy (KZN Department of Economic development and Tourism, 2009:12) observed at least ten challenges which face cooperatives in the province. These are:

- (a) Narrow view of cooperatives
- (b) Technical skills shortages
- (c) Limited access to finance
- (d) Limited access to markets
- (e) Limited cooperation between cooperatives
- (f) Limited support institutions for cooperatives
- (g) Limited regulatory support for cooperatives
- (h) Premature cooperatives
- (i) Poor coordination and
- (j) Limited monitoring and evaluation

1.2. MOTIVATION FOR THE STUDY

Co-operative development has been largely regarded as one of the government's weapon to fight poverty and unemployment. In the Amajuba District, agriculture remains one of the critical sectors with its contribution to the economy through employment creation and livelihoods. Though, the challenge is that agricultural cooperatives' productivity is decreasing in the district. This study seeks to understand how the challenges which face agricultural cooperatives render them vulnerable and consequently cripple them from achieving their desired outcomes.

While the 2009 KZN strategy identifies broad challenges facing all cooperatives in the province, this study will focus on agricultural cooperatives in rural areas, with Amajuba District as a case. There will of course be overlaps between the broadly identified challenges (by the KZN cooperatives development policy), only that this study will provide a more fine focus on a particular case, and in that particular case a specific sector. The findings and recommendations are expected to enhance debates as well as equip policy makers with more empirical information on how to develop cooperatives more effectively.

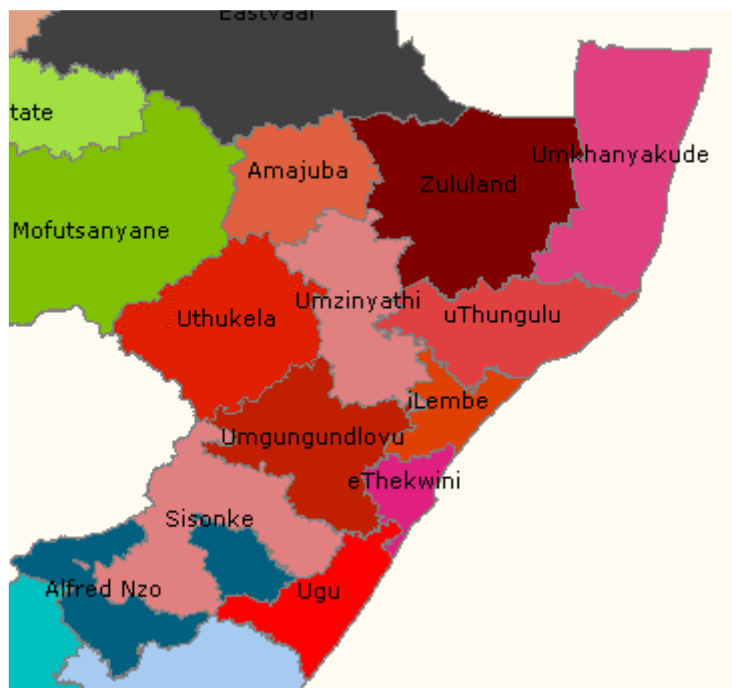
The following stakeholders are the most likely beneficiaries of the study: the cooperative sector, the government, the cooperative funding agencies, the general public and academia.

The cooperative sector will be provided an opportunity to voice their understanding, challenges and opportunities facing agricultural cooperative sector in the district. They will largely benefit from this study because their challenges will be identified and the recommendations will be shared with the relevant policy makers to take action.

The Government has an interest in cooperative development and will benefit as a stakeholder in this study. Government uses cooperative as a tool to achieve this main priority of poverty reduction, employment creation and economic growth, therefore this study will add value to government's effort. It will broaden understanding of the challenges that are facing agricultural cooperatives, and might act or respond accordingly to those challenges.

Cooperatives funding agencies and institutions such as Ithala and others will benefit from this study as they are mandated to provide financial assistance to cooperatives. The study will help them to understand the common challenges faced by agricultural cooperatives and may provide some viable and efficient alternatives in assisting the cooperatives to access funding. The general public and academia will benefit from this study since it will add to the body of knowledge.

1.3 GEOGRAPHICAL LOCATION OF THE STUDY



Map 1: 9 Amajuba in the context of KZN Districts Locating.

Source: Amajuba District Municipality 2013/14 IDP, 2011:9

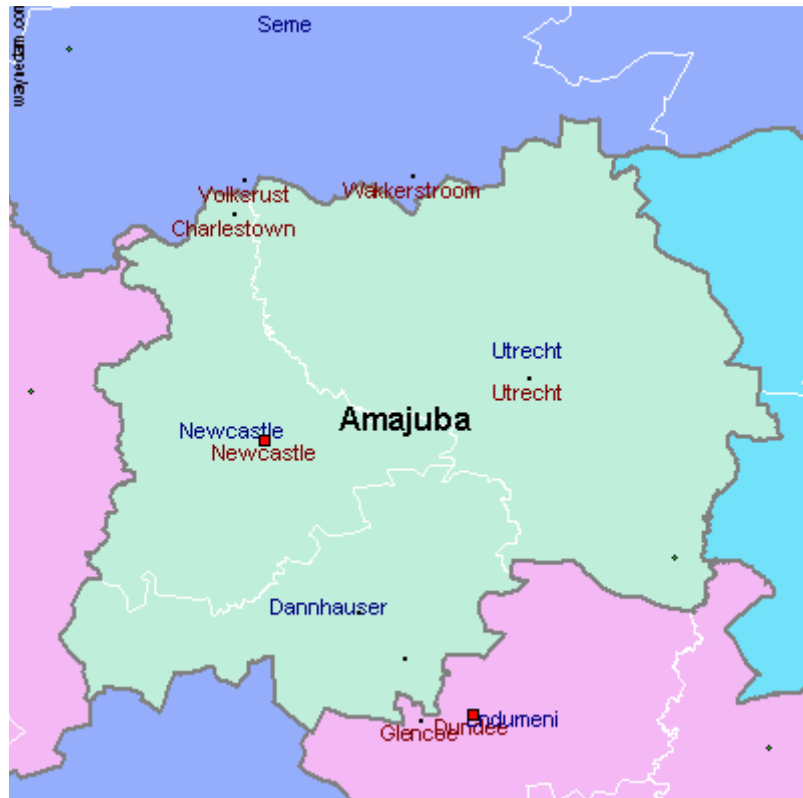


Figure 1: Map of Amajuba District

Source: Amajuba District Municipality 2013/14 IDP, 2011:9

This study will be conducted in South Africa, in a rural area of Amajuba District, which is situated in Northern KwaZulu Natal. Amajuba District is surrounded by many deep rural places and these places constitute the cooperative district. These places/areas include three local Municipalities, which are Dannhauser Local Municipality, Emadlangeni Local Municipality and Newcastle Local Municipality. Most of these areas continue to face a unique set of challenges, due to, among other factors, geographic location and diverse backgrounds of cooperatives. The most relevant characteristics of rural agricultural cooperatives will be discussed below.

According to Acker and Gasperini, (2009) rural means human settlements with small populations or former Bantustans and in geographical spaces often dominated by farms, forests, water, coastal zones, mountains and or deserts. The '*Report of the Ministerial Committee on Rural Education*' (2005) refer to 'rural' as a space where human settlements and infrastructure occupy only small patches of the landscape, and economic activity is dominated by primary production.

Rural areas are characterised by high unemployment rates, high level of poverty, lack of basic services, lack of physical infrastructure and poor education (Country Report: South Africa, 2005:6-7). The above mentioned challenges affect the performance of cooperatives, leading to high failure rates, unemployment, poverty, decrease in agricultural production, and a decrease in the economic growth for a country as large.

The above are some of the political, social and economic factors that affect agricultural cooperatives in rural districts. Even though there are such challenges, agricultural cooperatives remain important for livelihoods and growth of people living in those areas. Moreover those cooperatives are expected to produce and earn income to support their families and to increase wealth.

Out of fifty seven (57) rural agricultural cooperatives registered at Amajuba District in the EAEDT (2012) twenty two (22) are operational and the study will focus on ten (10) active cooperatives (EAEDT, 2013).

1.4.PROBLEM STATEMENT

Agriculture is one of the priority sectors at Amajuba District, and most people living in rural areas of the district depend on agriculture for their livelihoods. However, the agricultural performance has been decreasing in the district over the last years. According to the District Profile (2011), the district has a rising unemployment of 26.5% and most of people depend on agriculture for their livelihoods. However, the performance of the sector in the district has been decreasing, and this has threatened the development of the District Municipality, the province as well as the entire nation.

According to Amajuba District Local Economic Development Strategy (2011), the contribution of the sector has declined with an average growth rate of -6.7% between 2005 - 2009. Amajuba District Municipality is regarded as a very fertile region but unfortunately its contribution towards the total gross value add of the district is very low at 2.2%, and formal employment at 2%. According to the LED Strategy (2011), all three local Municipalities in the district (Newcastle, Dannhauser and Emadlangeni) have experienced a decline in agricultural activities and the gross domestic fixed capital has also declined by -3%.

The agricultural businesses in the districts belong to either small, micro and medium enterprises (SMMEs) or co-operatives. However, according to the study done by Busa Corporate Administration (2013) most agricultural projects belong to co-operatives.

1.5. RESEARCH QUESTIONS

The study will seek to answer the following questions:

- a) What are the factors or elements that contribute to the failure of agricultural co-operatives projects in rural districts?
- b) What is the motivation behind co-operatives in doing agricultural projects?
- c) What are the possible interventions that could be implemented by government to boost agricultural co-operatives in the rural districts?

1.6. OBJECTIVES

The primary objective of this study is to examine the vulnerabilities of agricultural cooperatives in the rural districts; with focus on the cooperatives based in Amajuba District in Northern KwaZulu-Natal. In order to address the research questions and the hypothesis, the following objectives which are linked to the research questions have been formulated:

- a) Examination of the factors or elements that contribute to the failure of agricultural co-operatives projects in rural districts.
- b) To assess the motivation behind co-operatives in doing agricultural projects.
- c) To identify and suggest possible interventions that could be implemented by government to boost agricultural co-operatives in the rural districts.

1.7. LIMITATIONS OF THE STUDY

This study is limited in its scope and therefore in its application due to the following factors.

- (a) The target population of the study was limited to only businesses registered as rural agricultural cooperatives in the Amajuba district. It is therefore not applicable to all cooperatives in all sectors.

(b) Amajuba District is a place shaped by social and economic interactions of people and institutions. This makes the area unique in some way, even though there are similarities with other regions. Caution should therefore be exercised in replicating the findings of this study as representative of regions other than Amajuba District

(c) The sample size of the study was representatives of ten (10) cooperatives. While this is an adequate number to serve the objectives of the study, it is a small number to suggest generalization of the findings as representing all agricultural cooperatives.

(d) The interviews for the study were conducted in Zulu then translated into English, which potentially changes the actual meanings articulated in Zulu.

1.8. STRUCTURE OF THE STUDY

The material collected and used for this study has been integrated and sub-divided into five (5) chapters. The presentation of chapters is as follows:

Chapter one provides a general introduction to the research and gives the background to the entire study. The background of the study gives contextual information about the study. The motivation why the study is imperative, the problem statement as well research objectives and questions, are also presented in this chapter. The chapter concludes by providing some limitations encountered when the study was executed.

Chapter two reviews literature surrounding cooperatives. This review is subdivided into the definitions and cooperatives' concepts, types of cooperatives, principles and values. This subsection provides the definitions of cooperative and gives descriptions of the most prominent academia such as International Cooperatives Alliance (ICA) principles, ethics and values of cooperatives. The second subsection looks at South African cases and by so doing provides background and history of cooperatives in South Africa. The interesting issues such as survival rates, sector spread and compliance of cooperatives are discussed. The third subsection focuses on agricultural cooperatives in South Africa. The importance of agricultural cooperative and the reasons why this sector is important mostly in rural districts, is also discussed, inclusive of challenges facing these cooperatives.

Chapter three is the methodology chapter and looks at the procedures employed in collecting the primary data. The research design and methods used as well as the logic behind why those methods have been chosen, is presented. The chapter also justifies the selected sampling, and provides data analysis.

Chapter four presents and discusses the findings of the study. The results of the study are subdivided in to four (4) sections as per objectives of the study. Section A of this chapter aimed at identifying the co-operative's attitude and willingness to participate in agricultural projects. In Section B the relationship between the well-established and small scale agricultural co-operatives is explored. The factors that collectively affect agricultural production in the district are then identified in Section C. While in the last section, Section D, the researcher explored the inequalities and power relations within agricultural sector in the district.

Chapter five provides recommendations and final conclusions of the study.

1.9. CONCLUSION

This chapter introduced the research on the importance of doing the study for examining the vulnerabilities of agricultural cooperatives in the Amajuba district. The following chapter will review literature on cooperatives, as a broad framework within which the cooperatives operating (or intending to operate) in Amajuba District, particularly in the agricultural sector, should be understood.

CHAPTER TWO: LITERATURE REVIEW

2.1. INTRODUCTION

Cooperatives are currently gaining major interest among researchers and practitioners within the economic development. Worldwide, cooperatives have been promoted as a vehicle for economic development (Lawrence, 2003). According to the report on the National Indaba Agricultural Cooperatives (2012), South African government uses cooperative strategy to redress socio-economic challenges of poverty, unemployment and inequality. As a result, the registration of cooperatives in South Africa have increased in recent years.

This chapter presents a literature review relating to the concept of cooperative as a business model. This is done by highlighting the definition of cooperative and outlining the underlying principles of cooperatives and the cooperative values and ethics. A brief history of cooperatives, focusing on their origins in South Africa is also presented. The important stakeholders in the cooperative movement together with location of the cooperative function are also discussed. To understand why cooperatives fail, the challenges facing cooperatives are discussed. This chapter concludes by providing a few agricultural cooperatives best practice South African cases.

2.2. COOPERATIVE DEFINITIONS

The literature of cooperatives provides lots of cooperatives definitions. Le Vay (1983) states that the basic blocks in defining a cooperative are that it is an association of persons (either individually or institutions) who work together to achieve certain commercial objectives. Dunn (1998) agreed by saying cooperatives is the firm that aims to achieve the interests of its members. According to Rhodes (1983), a cooperative is a special type of business firm owned and operated for mutual benefit by the user. Nilsson (1997) further defines cooperative as an economic activity, which is conducted for the need of its members and is owned and controlled by these members.

According to the International Cooperative Alliance (ICA), a co-operative is an “autonomous association of persons united voluntarily to meet their common economic, social, and cultural

needs and aspirations through a jointly-owned and democratically-controlled enterprise” (International Co-operative Alliance, ICA, 2007). Therefore any organisation that meets these three criteria is regarded as cooperatives. According to NCBA (2005) cooperatives are established voluntarily by its members when the market is failing to provide quality goods and services at an affordable price. Cooperatives are therefore the tool to empower people to improve their quality of life and snatch the economic prospects through self-help.

These definitions differ in many respects; although there are areas of agreement. Ortman and King (2007) for example state that there are three factors that remain consistent in almost all definitions of cooperatives. These three factors are:

- a. The user-owner principle, meaning those who own and finance co-operative are those who use it.
- b. The user-control principle – the cooperative is controlled by those who use it.
- c. The user – benefit principle – people who benefit from cooperative are those who use it (Ortman and King, 2007).

The ICA definition is commonly used to strengthen the other unclear or incomplete cooperatives definitions. Additionally, the aspects of cultural and social values of co-operative is emphasised, it does not only look at the economic values.

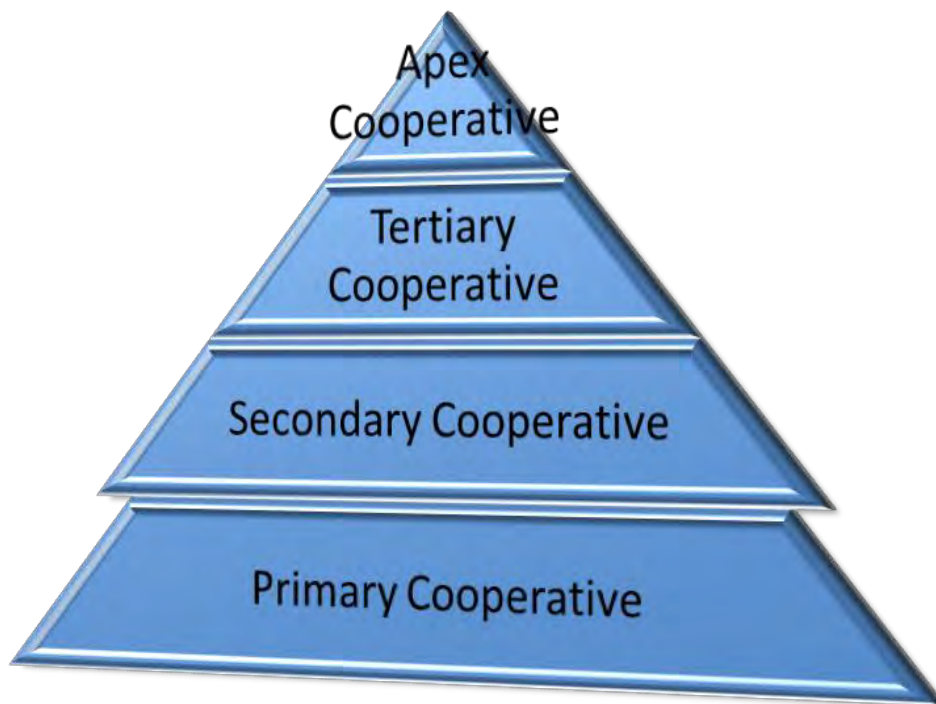
The United States (US) National Cooperative Business Association (NCBA) (2005) also highlights the unique characteristics of cooperatives relative to other types of businesses:

- Cooperative is owned and democratically controlled by its members and not by anyone from outside the cooperative. Board of directors who control the co-operative elected democratically by members and the major cooperative decisions are based on one member – one vote principle, regardless of each member’s contribution in the cooperative.
- Cooperative distributes its revenues in proportion of their beneficiation in the cooperative and not in proportion of member’s investment in the co-operation.
- Cooperative is motivated by providing quality and affordable goods or services to its members rather than profit motive.
- Cooperative exclusively exists to serve its members.

- Cooperative like any other businesses is due to pay taxes on their retained income for investment and reserves. Surpluses and loses are shared according to investment by each member of the cooperative (NCBA, 2005).

2.2.1 Types of Cooperatives

South Africa has specific guidelines on identification and registration of cooperatives. The cooperatives guidelines identify the various types of cooperatives as Primary cooperatives, Secondary cooperatives, Tertiary cooperatives and Apex cooperatives, functioning in a pyramid structure as illustrated below (Republic of South Africa, 2013).



Source: South African Cooperatives Guidelines, 2013:5

Figure 2: Types of Cooperatives

Primary cooperatives are found on the first level. They are formed by a minimum number of five persons, and the guidelines do not give the maximum number of persons who can form the cooperative. These persons come together voluntarily to meet their social, economic and cultural need through jointly and democratically owned business.

On the second level are secondary cooperatives. These are formed by a minimum of two functional primary cooperatives that are doing same economic activities. Two or more cooperatives can form a secondary cooperative to increase their competitiveness in the market and increase their profit maximisation. Secondary cooperative only perform the services of its members which are primary cooperatives, like marketing, selling and advertising their products.

Tertiary cooperatives are on a higher level than primary cooperatives. Two or more secondary cooperatives with same interests come together and form the tertiary cooperative with the aim of servicing its members.

Apex co-operatives are on the highest level, which is made of a minimum of three sectoral operational tertiary co-operatives that operate at national level; and five operational multi-sectoral tertiary co-operatives that operate at the provincial level.

The aim of these cooperatives is to serve the interests of its members, and members have a full control in their cooperatives.

2.2.2 Principles for Cooperatives

The International Cooperatives Alliance (ICA) (2005) also prescribes the following seven principles that all the cooperatives should comply to.

1. Openness and voluntary membership – any person can join the cooperative so long s/he will be able to use its services and accept the responsibilities of being a member.
2. Cooperative is controlled democratically by its members. Board of directors are elected by members to control the cooperative but all members participate in decision making with the principle of one member one vote, regardless of the contribution by each member.
3. Member economic participation. The members contribute their own capital and each member pays a joining fee. The cooperative may also decide on a monthly subscription which may be compulsory to all members. These contributions are used for the development of a cooperative.
4. Autonomy and independence. Only the members control their cooperative. Even if they can employ the project manager or receive any forms of assistance anywhere or

enter into agreement with other organisations, they must make sure that they don't lose the control of their cooperative.

5. Education training and information. It is compulsory for cooperatives to continuously involve its members in basic to advanced business skills. All members are required at least to have gone some basic business and governance skills. This helps in the management, governance and sustainability of their business.
6. Cooperation among cooperatives. Cooperatives are encouraged to cooperate with other cooperatives. The cooperation can be in doing business together to increase their competitiveness, sharing of knowledge, ideas and experiences, improve their market opportunities, etc.
7. Concern for community. The cooperative should contribute positively to the development of its community. This can be done by supplying good products and services at competitive prices, providing employment to the community, donating to the needy, contributing to the social services etc. The cooperative can only do what is affordable to them.

Principle six and seven above are the only general ones, and are applicable to all types of cooperatives. Each of the other principles apply to different cooperatives.

2.2.3 Values for Cooperatives

CIA (2005) identifies five values that cooperatives are expected to embrace all their activities, and through these values cooperatives are able to impact to the lives of the poor and vulnerable. The following are the values:

- a) **Equality** – every member has equal opportunity in the business.
- b) **Self-reliance** – members should not rely on others to get work done, but they must rely on themselves by working together to achieve their goals.
- c) **Self-help** – cooperatives should learn to solve their own problems and not rely on others to solve their own problems. This value empowers cooperative members to improve their quality of life.
- d) **Self-responsibility** – Co-operatives are responsible for their own successes and failures, they don't have to rely on someone else to success or blame anyone for their failure. They should take responsibility of all actions in their business. And

e) **Social responsibility** – as it is mentioned above on a concern for community principle, this value is generally articulated. It depends on the interpretations given by the cooperative. Generally it means that the cooperative should take care of the community they live in.

2.3. HISTORY OF COOPERATIVES IN SOUTH AFRICA

The South African government has continuously underlined the importance of cooperatives in trying to redress the past socio-economic problems. The emphasis to support the development of cooperatives is complemented by its ability to improve the lives of the poor and vulnerable people to enter the formal market (Machethe, 1990; Eade, 1997). Phillip (2003) also comprehends a major role for cooperatives in promoting the social and economic development. The DTI (2009) realises the enhancement of growth through employment creation, facilitating broad base economic empowerment, income generation and poverty eradication.

The present government is also supporting the establishment of cooperatives due to its ability to enhance the growth of small scale farmers and other population. Cooperatives are thus perceived as the best strategy to address socio-economic challenges facing the country.

The cooperatives development can be placed in two phases, the white dominant cooperatives established in the apartheid regime and the cooperatives after the democratically elected government (Dyer, 1997; Satgar, 2007). The first phase is with the ages of white dominant cooperatives where bulk of agricultural cooperatives were used to develop the economic interest of South African communities. The white dominant cooperative movement was subjected to the racist nation which was building and supporting project and monopolising agricultural products (Satger, 2007). They received an excessive amount of regulatory and financial support (Dyer, 1997). The Land Bank was providing them with development finance; they were getting tax exemption and agricultural training support which was very important to sustain the development of white agricultural cooperative movement (Roberts 2009). With this range of support the white agricultural cooperatives were able to produce large volumes and receive large sales. Large primary and secondary cooperative were also

developed. White agricultural cooperatives owned a bigger slice of the total agricultural production in South Africa (DTI, 2005).

White dominated cooperatives played an important role in South African economy and, this is visible through historical literature on cooperatives. By the early 1990s, 250 white agricultural co-operatives had approximately 142,000 members, total assets of R12.7 billion, turnover of R22.5 billion, and annual pre-tax profits of more than R500 million (Amin and Bernstein 1995). These achievements were possible because of government support at that time. On the contrary, black dominated cooperatives have not received such extensive support, and this has led to the failure and continuously decreasing growth rate (Sisuka, 2010).

However, after the democratic government was elected in 1994, the government support for white dominant agricultural cooperatives was reduced and some of these cooperatives were transformed into investor-oriented firms. These cooperatives lost extensive share in the market because they were no longer part of government market board which were eliminated in 1990s (Piesse et al., 2003).

The second phase emerged from the democratically elected government that intended to redress the bias of the policies and strategies of the past government. This phase focuses on supporting the previously disadvantaged agricultural communities with a specific attention on black owned cooperatives (DTI, 2004). In a 1999 parliamentary address, Mr. Mbeki, the then president of South Africa stated that “The Government will place more emphasis on the development of a co-operative movement to combine the financial, labour and other resources among the masses of the people, rebuild our communities and engage the people in their own development through sustainable economic activity” (President T. Mbeki, Address to Parliament, May 26, 1999).

In 2009, DTI reported that most of emerging agricultural cooperative are not yet in the state of reducing poverty in the country. There is a great need to support these cooperatives in skills development so that they offer more in their communities than employment opportunities (DTI, 2009). Van der Walt (2005) has also supported the training requirement by demonstrating that the lack of adequate education and training is a challenge to cooperatives movement in the country.

In South Africa, after the democratic government took over in 1994, most of large agricultural cooperatives which were owned by white dominants converted to Investment Owned Firms (IOFs), yet there is still a substantial argument over agricultural societies whether it's beneficial for cooperatives to join IOFs over cooperatives (Ortman and King, 2007). The argument evolves on the question that is it beneficial for farmers to remain the members of their cooperatives and own their business, or by being managed and controlled by shareholders in the IOFs.

In favour of IOFs, the arguments include the following:

- There is an entrepreneurial skill that is often missed in cooperatives
- Members of cooperatives are reluctant to fully capitalize their business since there is no competitive capital returns
- Top quality management is easily attracted in IOFs because of its profit motive
- It easier to access different types of capital
- There is a clear alignment between shareholders' interests and customer's interests and expectations (Ortman and King, 2003).

However, with cooperatives, members waste a lot of time in conflict, lack of trust between members and the return of their capital is less when compared to IOFs. Even if the cooperative can receive good services from its members, but the profits cannot be compared to that of IQFs.

Conversely, the advocates of the cooperatives model of development argue that cooperatives are owned and controlled by its members who are able to maintain influence over its activities and functions and benefits its members (AgriTV, 2003). This argument is supported by Philip (2003) who contends that, the development of user cooperatives in South Africa can be beneficial to cooperatives. He argued that it can lead to cost reduction, enhancement of income and increase the sustainability in business activities. There is therefore a substantial potential for cooperatives to enhance empowerment, poverty reduction and job creation (Phillip, 2003).

2.4. SURVIVAL RATE OF COOPERATIVES IN SOUTH AFRICA

In 2009, The Department of Trade and Industry (DTI) conducted a base line study which indicated that there were 22030 cooperatives registered with the Companies and Intellectual Property Commission (CIPC), out of these only 2644 were economically active. 29, 71% of the total registered cooperatives is agricultural cooperatives. The main concern to the study was the mortality rate which stood at 88%. On 31 December 2010, the latest CIPC statistics indicate an increase to 37402 of registered cooperatives. The number of registered cooperatives further increased to 44821 by the end of June 2011, as compared to the 22030 in 2009. The CIPC statistics do not show the economic performance of these cooperative but only specify the new registration and deregistration. The table below illustrate the above descriptions

Custodian of Cooperatives A	Cipro (Cooperatives Act No. 14 of 2005 from 02 May 2005)	Cipro	Cipro	Cipro	CIPC (end of June 2011)
Financial year	2007/08	2008/09	2009/10	2010/11	2011/12
New registrations	3391	6054	9279	8111	Q1=1921
Deregistration	157	589	388	549	Q1=162
Total deregistered	772	1361	1749	2298	Q1=2460
Total registered	17154	22619	31510	43062	Q1=44821

Table 1: No. of Cooperatives Registered between 2007 and 2011 in South Africa

Source: The Department of Trade and Industry Baseline Study (2009)

In a study done by Van der Walt in (2005) in Limpopo province, Van der Walt found out that in a sample of 54 registered cooperatives, 65% were not operational. The reasons for the failure includes poor management, shortage of skills, conflict among members, shortage of finance, lack of markets and in some operations never started after registration.

For the government agencies and employees who are supporting the development of cooperatives, these issues are very important as a guide to them in their facilitation. Education and training, mentorship and incubation appeared to be the most important issue for the promoters of cooperatives, though it's not the only issue to look at.

2.5. SECTORAL ANALYSIS OF COOPERATIVES

The cooperatives contribution is distributed amongst all sectors of the economy, but there are sectors that are leading as compared to others. The reason for unequal distribution among sectors is their accessibility to the communities.

According to the DTI Cooperative statistics of South Africa, the dominant sector in the registered cooperatives in South Africa is the agricultural sector, standing at 25%. The contributing factor to this is that, since cooperatives has been used as the tool for redistribution, poverty reduction and employment, most of poor economies rely on agriculture for their survival and agriculture seems to be the only best opportunity available for them to achieve the triple economic challenge.

Yet this remains the case, developments recently have shown that there are other new sectors that are growing and challenging the dominant agricultural sector. These include services sector and multipurpose sectors which stands at 17% and 14% respectively. The increase in these sectors may be caused by the larger government support in the registration all sectors of cooperatives, and by the government procurement opportunities. There are many other emerging sectors that are growing faster, like construction, bakeries, manufacturing, art and craft, fishing and mining.

The cooperatives' contribution per sector, in Gross Domestic Product (GDP) has changed over the years. The DTI Baseline Study indicates that cooperative contribution to GDP has been less than ten percent, (10%) between 2004 and 2007. This confirms that there is a lot that still need to be done to develop the cooperative sector. The GDP contribution by each sector is indicated in the table below.

Table 4: Contribution to GDP	2003	2004	2005	2006	2007
No. of Co-ops	212	297	137	136	100
Millions in Value	000'	000'	000'	000'	000'
Food, Beverages and Tobacco	6 442.2	1 058.4	4 026.3	2 866.5	3 025.27
Primary Industries	2 562.5	1 718.8	735.5	1 137.9	892.55
Secondary Industries	6 485.2	10 646.5	4 058.7	2 890.3	4 801.72
Tertiary (Apex) Industries	3 251.3	2 757.4	2 427.5	2 742.4	1 435.36
Total (Rbn)	12,299	15,123	7,222	6,771	7,129.6

<i>Percentage Contribution of Co-operatives to GDP and Contribution within each Sector</i>					
Food, Beverages and Tobacco	18.18	2.68	9.45	5.70	5.35
Primary Industries	2.05	1.34	0.52	0.66	0.44
Secondary Industries	2.34	3.59	1.26	0.80	1.15
Tertiary (Apex) Industries	0.44	0.33	0.27	0.27	0.12
Total	0.98	1.08	0.47	0.39	0.33

Table 2: Contribution by each Sector to GDP

Source: The Department of Trade and Industry Baseline Study (2009)

Although incomes made by cooperatives are too low, cumulatively their involvement contribute approximately 7% to South Africa's GDP (according to DTI 2009 Baseline Study), this suggests that the sector is growing slowly.

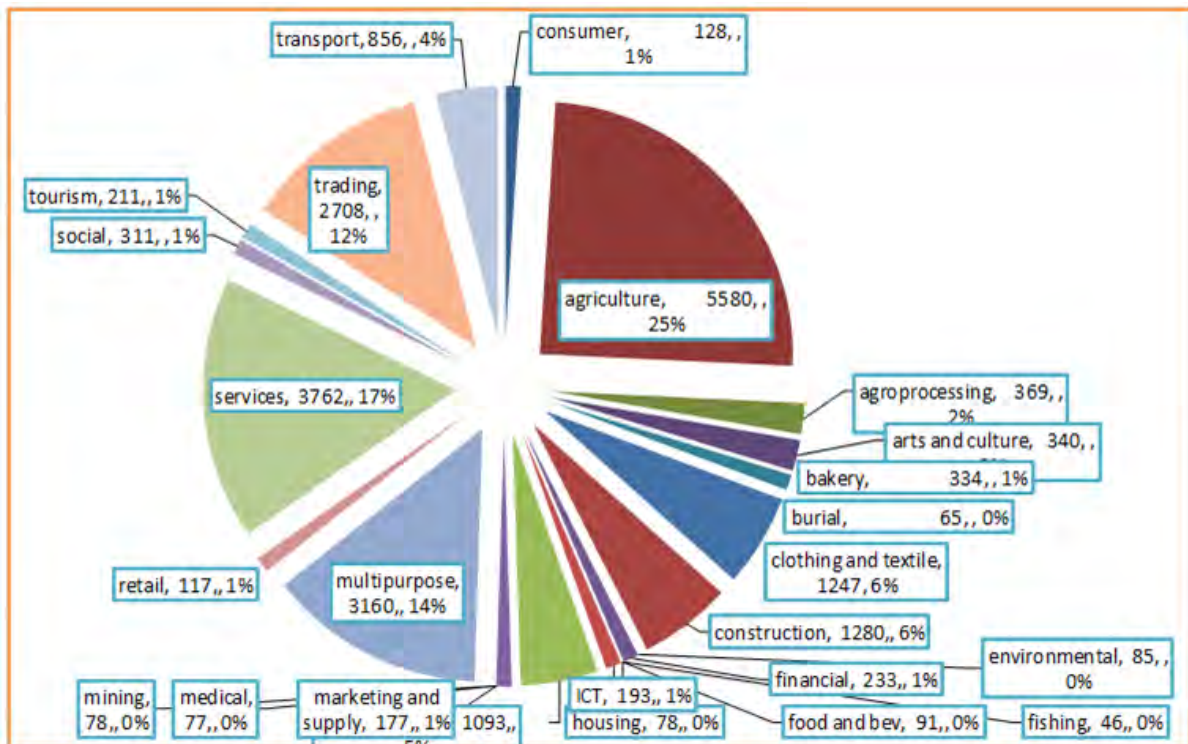


Figure 3: Overall Sector Spread of Registered Cooperatives

Source: Registrar of Co-operatives, *Statistics of Co-operatives in South Africa, 1922 – 2009*.

2.6. COOPERATIVES AND COMPLIANCE

In South Africa, cooperatives are only considered as official, if they comply with the company’s registrar requirements (CIPC, 2012). When a cooperative fails to comply, it becomes a challenge even to get incentives or any kind of assistance from the government as they are not regarded as cooperatives. CIPC Registrar (2011) indicates that out of thousands of cooperatives registered each year, just over a hundred cooperatives comply with the Cooperative Act of 2005, which specifies financial reporting. The lowest level stood at 102 in 2011, while in 2007 the numbers stood at 185. This shows that more than 90% of cooperatives lack financial skills.



Figure 4: Cooperatives Compliance Trends

Source: Registrar of Cooperatives, Statistics of cooperatives in South Africa , 1922-2009.

2.7. AGRICULTURAL COOPERATIVES IN SOUTH AFRICA

The agricultural cooperatives make a large share in cooperatives sector as mentioned in the above discussions, and, they are found mostly in rural areas. However, their share of agriculture in South African gross domestic product remains small and declining but remains an important sector through its contribution to employment, country's balance of payments, food supply and raw material supplier.

According to the National Indaba Cooperatives Report in 2012, the cooperative sector contributed 20% in GDP in the 1930's and the contribution dropped to 11.1% in the 1960's. Regardless of the drop in its contribution, the sector remains important to the development, economy and stability of the Southern region. Primary agriculture contributes about 3% of the GDP and about 7% to formal employment (Cooperatives Report, 2012). The important thing to consider is that, these little monies generated by cooperatives are able to put food on the table to the members and others are helping to pay school and university fees through the income generated from this sector.

Cooperatives, mostly those in agriculture have been playing a major role in the communities by improving the lives of their members (Van der Walt, 2005). The cooperative principles of

self-controlled, voluntarily and democratic business associations offers institutional context through which communities benefit from them for their livelihoods (Eade, 1997). Cooperatives in a sector support long term food security and contribute to food distribution and production (Lawrence, 2013). They also help by reducing poverty by creating employment, increasing the income of small scale farmers by collectively negotiating prices for fertilizer, storage, transport and seeds and increasing productivity (Polman, 2006). Though these collaborations cooperatives are able to increase their access to market and more value chain is created.

2.8. IMPORTANT ACTORS IN THE AGRICULTURAL COOPERATIVE MOVEMENT IN SOUTH AFRICA

Institutions and structures to influence the development of cooperatives including agricultural cooperatives have been set up by the government in the country. While most departments, training institutions and universities provide direct and indirect services to cooperatives, the main participants and stakeholders in the Cooperative Development Programme according to the DTI (2009) include the DTI, Department of Social Development (DoSD), Department of Agriculture, Forestry and Fisheries (DAFF), Department of Art and Culture (DAC), The National Youth Development Agency (formerly Umsobomvu Youth Fund), The Industrial Development Corporation (IDC), Provincial Departments of Economic Developments, Ithala Development Finance Corporation, Small Enterprises Development Agency (SEDA), Further Education and Training (FET) institutions, Districts and Local Municipalities, Non-Governmental Organisations and Private Sector (DTI, 2009).

The cooperatives function was located in the Department of Agriculture until 2004. In 2004 the cooperative function was then transferred from the Department of Agriculture (DoA) to the Department of Trade and Industry (DTI) under the Cooperative Development Unit after cabinet approval (RSA, 2005b).

The DTI is responsible for the administration of cooperatives in the country. After the participatory process, the DTI formulated a cooperative development policy (DTI, 2004). This policy strongly supports the development of the emerging cooperatives although it does recognise the established cooperatives which were supported under the apartheid

government. The establishment of Cooperative Development Unit was the government means of enhancing the development of developing cooperatives (DTI, 2005). The duties of this unit is to facilitate the development of cooperatives in all South African areas by drafting and reviewing policies and strategies, and coordinating government effort in the co-operatives development movement (Ortman and King, 2007). This is achieved by facilitating the coordination of government departments and institutions towards the development of cooperatives, reviewing and updating of government strategies and policies, and through the promotion of cooperative movement.

CIPC (formerly CIPRO) was developed to deal with the supervision of the legal compliance, registration and deregistration of cooperatives.

The Cooperatives Advisory Board, which is made up the representatives from all the provinces, was formed in 2005 (RSA, 2005b). This board act as a statutory agency that advice the Minister of Trade and Industry of issues related to cooperatives and its represents the interests of all cooperatives (RSA, 2005b).

Although the cooperative development has been centralised within the DTI across all sectors, still all other government department are responsible for their specific sectors. As for DAFF, they have a responsibility to promote the development of agricultural cooperatives in the country. Within the DAFF, the Cooperatives and Enterprise Development Directorate is responsible for the cooperative development (DAFF, 2010).

The DAFF directorate is mandated to develop, review and ensure the implementation of government policies and strategies, specifically for the advancement of agricultural cooperatives. Dr Mulder, the Deputy Minister of DAFF (2012) indicated in his speech that promotion and strengthening competitiveness of cooperatives and Small Business remains the priority for the department since its allows growth and the creation of employment opportunities in the economy. This showcases the commitment and the drive of the department in promoting and supporting the cooperatives.

Doyer (2005) argues that as far as agricultural cooperatives are concerned, the agricultural sector has lost substantial administrative and intellectual capacity since the cooperative

administration has moved to the DTI. Yet he trusts that with the new Act there will be some changes in the development of cooperatives (Doyer, 2005)

Undoubtedly, this shows exactly that the South African government is fully supporting the establishment and the development of co-operatives mostly in the previously disadvantaged areas. Importantly, before the government and other government institutions can embark on supporting the cooperative, they need to confirm that the business is the genuine cooperative which is registered with the cooperative registrar and subscribe to cooperative principle (RSA, 2005a).

2.9. REASONS FOR AGRICULTURAL COOPERATIVES

Agricultural cooperatives have been supported in the developing and less-developed countries because of their ability to reduce poverty, distribute food across the country, employment creation and through contribution to the economic growth and improving the lives of the poor (Lawrence, 2013).

The National Council of Farmers' Cooperatives (NCFC) (2005) further support this by tabling the following reasons for the formation of agricultural co-operatives.

- Increasing the competitiveness and the exploitation of new market opportunities;
- Receive the required products or services at a competitive prices;
- Maximise income through reduced costs leading to profit maximisation

Other benefits for cooperatives are distribution of food, poverty reduction, employment opportunities and economic growth (Ortman and King, 2007). Below these benefits for Agricultural Cooperatives are discussed.

Agricultural cooperatives are located all over the country and they help with the distribution of food at lower prices and food security. Even vulnerable communities can open their own agricultural cooperatives and help themselves by putting food on the table.

In SADC region agricultural cooperatives are regarded as the engines for poverty reduction (RSA, 2005b). South Africa is characterised by small scale dying cooperatives. Most

emerging cooperatives in the country are not yet in the state of reducing poverty (DTI, 2009). These cooperative still need to be supported, importantly on skills development and financial resources. After this support these cooperatives are able to play a crucial role in poverty reduction.

Cooperative is one of the businesses that can be used better on socio-economic challenges of its members (Bhuyan and Olson, 1998). In rural communities, cooperatives play an important role in creating employment opportunities and increasing communities' income (Van der Walt, 2005). According to Harmse (2009) SMMEs can make a huge contribution in job creation by providing opportunities to the previously disadvantaged and socially excluded and vulnerable societies. However, in South Africa most of cooperatives are not yet at that stage because of challenges that are mentioned in this chapter.

One of the reasons for cooperative movement is to give opportunities to all communities to participate positively in the economic growth of a country (Ortman and King, 2007). Obviously when more citizens are participating in the economic activities, the results will be positive to country's development. If small scale farmers come together and form cooperatives they are able to increase their bargaining power and buy in agricultural inputs in bulks, such as fertilizer, seeds and others at lower prices (Von Ravensburg, 1999). It will be easy even for these cooperatives to secure markets. This helps them to maximise their profit and the growth and sustainability of their businesses will be achieved.

Basically, even agricultural farmers participate in the formation of cooperatives with an of the profit maximisation buy getting inputs at a lower costs from other co-operatives and by selling their products at better prices (Ortman and King, 2007). Dlamini (2010), cited that cooperatives existence especially in the field of agriculture, is driven by economic force for survival. He further mentioned that agricultural farmers are small in comparison with other businesses, so by forming cooperatives as their joining forces, help them to achieve the bargaining power.

2.10 CHALLENGES FACING COOPERATIVES

Regardless of the government's effort in trying to support the black co-operative movement in South Africa, there is not much that has been achieved. This has been associated with the

challenges that face by these co-operatives. These include lack of business skills, no information about the cooperative governance, dearth of information about the cooperatives benefits and incentives, absence of market and marketing skills and the shortage of finance (Prakash, 2004). This is highlighted by the small sizes non-growing cooperatives and increasing number of failures and deregistration of black cooperatives.

The Limpopo study on cooperative failure conducted by Van der Walt in 2005 cited the major coursed for failure of cooperatives were summarised as follows:

- Shortage of skills and training
- Poor cooperative management skills
- Lack of cooperation among other cooperatives
- Poor management skills and conflict among members
- Poor infrastructure and lack of finance
- Lack of competitiveness
- Poor cooperative governance
- Failure of cooperative to service its clients

Below the challenges are discussed in detail.

Emerging cooperatives still need to be assisted financially for the growth of their cooperatives; they find it difficult to get finance for their businesses (Satgar, 2007). International experience has confirmed that there is no cooperative development that can be achieved without proper financial assistance (Satgar et al; 2008). The general operation of the cooperative through it democratic control and profit sharing make them less attractive to the financial institutions. According to the DTI, Development Finance Institutions (FDIs) and other financial institutions from the private sector do not understand the cooperative structure and its functioning which make them reluctant to give cooperatives support (DTI, 2009). Cooperative support is also unclear and uncoordinated since the main target of these institutions is not cooperatives, which make it difficult for them to give a big slice to cooperative development.

Yet South Africa has a number of institutions supporting cooperatives nationally, these include National Empowerment Fund (NEF), Integrated Development Finance (IDC), small

Enterprise Development Agent (SEDA), Cooperative Incentive Scheme (CIS) and others. The government department in provinces has also different structures to support cooperatives, for an example in Limpopo there is Limpopo Business Support Agency (LIBSA) and in Kwa-Zulu Natal (KZN) Ithala Finance is the predominant funding agency (Malomane, 2013). Likewise, all the local government in their municipalities have the specific support for cooperatives in their Local Economic Development (LED) initiatives (DTI, 2013). However, the challenge is that these incentives by other government enterprise development agencies are very limited and they do not address all the financial needs of the cooperatives (Van der Walt, 2005).

Even those incentives by the DTI and municipalities that focus to cooperatives are not distributed fairly to cooperatives. According to the DTI Baseline Study in 2009, out of 159 cooperatives who applied for loan in the last two years, only 39 were approved. Likewise, with the Dti cooperatives incentives, out of 181 cooperatives who applied, only 61 received grants. Moreover, there is lack of co-ordination in all government enterprise development agencies, each agency is pushing its own agenda which is not known and clear which makes their efforts ineffective.

Inadequate supply of information and awareness of business model for cooperatives is another challenge faced by cooperatives (Van der Walt, 2005). Most of cooperatives are not aware of their benefits, incentives or any other forms of assistance from government and other government agencies. Still, sometimes cooperatives know that there are government institutions that are promoting the development of cooperatives but they don't understand the role of each institution.

Infrastructure is another challenge that limits agricultural cooperatives (Ortman and King, 2007). Most of cooperatives are found in the previously disadvantaged areas. Most of these areas are not yet developed in terms of business infrastructure and have led to a decline in the development of cooperatives. The DTI baseline study indicated that most of cooperatives operate in their homes rather than in cooperatives' premises (DTI, 2005). Agricultural fresh produce cooperatives for an example need a good irrigation system for its success; however it's become a mission for the funders to assist cooperatives on irrigation system which is the key to their success, surely that leads would lead to the failure.

Without adequate infrastructure, cooperatives are incapable to access new technologies, which make it difficult for them to sustain and compete with other business in a market.

Cooperatives' management skills and technical skills is also a major challenge to cooperatives (Dlamini, 2010). Cooperatives are largely started by people who are characterised by a low level of skills, who are unemployed and who have no business experience. Each sectorial cooperative need some special technical skills related to the production or services that are being rendered, which is not always found in those cooperatives. These cooperative, because of the participants education level lack the management skills, and the lack of both management and technical skills creates the high failure rate of cooperatives in South Africa. According to 2009 Baseline study (DTI: 2009), between 2007 and 2009, 62% of cooperatives did not received training, and the training requirements were both technical and business management.

While it is true that all people in human resources structures are important for the efficiency and effectiveness of an organisation, it is equally true that there are other factors other than human resources, required for the success of business (Sirmon et al., 2007). Kor, 2003; Andrews, 1987 and Barney, 1991 also highlight that management group from any organisation is vital for keeping the business success. Managers should have the skills to describe, understand and invest on the business potential using business resources (Barney, 1991). It is managers that play a critical role of determining the path of the organisation by the combination of resources its hold and encourages and the market where it operate (Sirmon et al., 2007).

For cooperatives it is difficult to attract and retain good managers because of salary limitations (Veerakumaran, 2007). The fact that most of cooperatives in the country are small scale, it becomes difficult to afford a salary for a valuable manager. In addition, managers of cooperatives must deal with critical internal control including the conflict issues, with low salaries which courses limitations on the number of managers that can be recruited.

Another key challenge that limits cooperatives from being viable and sustainable is access to market. According to Dlamini (2010), smallholder agricultural cooperatives and their area of location is the main reason for market constraints (Dlamini, 2010). The challenges are due to the limited access to information and poor infrastructure that typify rural communities. The

study done by the Department of Agriculture, Forestry and Fisheries (DAFF) (2011) also confirms that agro-processing opportunities and market access are the main restraining factor for cooperatives movement. Due to small capacity, financial resources, information and linkages these farmer's cooperatives are unable to secure markets.

Dlamini (2010) notes that there is little or no access to telecommunications such as emails, telephones or internet, which contributes to the poor communication between cooperatives and their target markets. Jeffry Ndumo in his address at National Cooperation Agriculture Indaba, (2012) alluded that the main challenge facing South African Agricultural cooperatives is the lack of demand for their product, resulting from lack of market access in both national and international markets.

These challenges however can be reduced when government departments and agencies can work collectively towards the development of cooperatives' movement. Presently there is very little impact from government side since each department works separately, and a lot of government resources are fruitless.

2.11. THE BEST PRACTICE IN SOUTH AFRICA

Local and international experience shows that the sustainability of agricultural cooperatives is a net provider of poverty alleviation, giving poor people the opportunity to lift themselves out of poverty and its associated forms of deprivation. It means expanding the freedom of choice and action to shape one's life. In the development process, it is important that poor people should have as much control as possible over the resources being invested, and over the decision-making process. Besides the challenges faced by cooperatives, there are cooperatives that are successful of which the cooperatives and the drivers of cooperative movement can learn from them.

Commercial farming is capital and labour intensive. It also requires good management, technical skills and proper coordination. However, benefits gained from successful commercial farming particularly by a cooperative are immense mainly in rural areas. Amongst others, it provides food security, creates job opportunities and contributes to the local economy. Commercial farming through a cooperative set-up is possible. Two good

examples are Asisukume Msinga Cooperative situated in Msinga District in KwaZulu Natal Province and Sasekane Cooperative LTD in Limpopo Province.

2.11.1 A Commercial Maize Production Case Study: Asisukume Msinga Cooperative

Suleiman Mwajuzuu on in his study of Investment Attraction in Alfred Nzo District Municipality in 2013, Asisukume Cooperative Ltd has been used as an example for best practice.

According to the study Asisukume Cooperative was founded in 2005 and registered as a co-operative under the registration number K 6/3/3/6969 on 15 May 2006. It conducts its business at Mawele Location, Othame, Msinga Top, KwaZulu-Natal Province. The membership of the cooperative includes people from all walks of life and is located at the three Tribal Authorities namely: AmaBomvu,(Ngubane), AmaNtungwa (Mabaso) and AmaQamu (Majozi). The membership of the cooperative is composed of 13 core members and 638 beneficiaries, 407 of whom are women, 246 are males, 47 are youth and 5 are disabled. The co-operative is engaged in grains crop farming mainly maize and beans.

(a) Project Achievements

The co-operative has made the following achievement since its inception:

In 2007/08 the cooperative ploughed on 280ha of land and harvested 290 tonnes of 1st grade white maize of which 10 tonnes were reserved for food security, and the remainder was sold at Dundee miller for R 523 111. After the sharing of the net profit between the cooperative and the beneficiaries, R80 636 was apportioned to the beneficiaries and R120 954 to the co-operative, the amount apportioned to the co-operative was used to pay expenses incurred during weeding, harvesting, shelling and transportation of maize harvest to the mill;

In 2008/09 the utilisation of the area reserved for agricultural activities increased to 400ha. During that production year 463 tonnes of 1st grade white maize was harvested, of which 50 tonnes was reserved as food security, and the remainder was sold to Dundee miller for R550 000;

In 2009/10 the production of 83.663 tonnes of 2nd and 3rd grade of white maize were achieved and 5 tonnes of which were retained for food security. In order to spread the risk the same year the co-operative had also planted 30 ha of beans;

In 2010/11 only few land parcels were planted and the harvest reduced to 50 tonnes of which three tonnes were reserved for food security. They have also co-ordinated the activities of 638 small scale farmers into a joint venture and created an enabling environment for the rural people to participate in commercial farming; created 45 permanent and 200 casual jobs for the locals; provide food security for the Msinga Community; and help students from the nearby Msinga Further Education and Training College (FET) by giving them in-service training and thereby enabling them to acquire practical experience and ultimate academic qualifications

Since its inception, Mr Suleiman Mwajuzuu has been providing the cooperative with technical support particularly in the development of business plans and funding proposals.

To date the cooperative has achieved the following financial support from various government departments and NGOs:

In 2007 the KZN Agriculture and Environmental Affairs department funded the project worth R 2 331 038, for the establishment and the provision of production inputs (land preparation, planting, provision of maize seed, fertilizers, herbicides, pesticides and the operations of spraying for weed and pest control) for 280ha.

In 2008 KZN Department of Agriculture and Environmental Affairs funded R4, 000,000 for land preparation and other inputs. In 2009 Department of Rural Development and Land Reforms funded R2, 100,000 for fencing to an extent of 105km of our farming land. Due to its success and prospects the Department of Trade and Industry contributed 2 trailers, diesel cart and auger worth R300, 000 in 2009.

In 2010 Omukunda Development Network funded the construction of steel structure for housing machinery and implements, fencing of the office premises and the supply of LAN – topdressing in the amount of R296 000. Construction of the milling station and silos near the

office premises funded by the Cooperative Governance and Traditional Affairs are currently underway.

2.11.2 Sasekane Cooperative in Limpopo

The second cooperative that can be used as the best case in agricultural cooperative is Sasekane Cooperative LTD. According to a report by SEDA (Unlocking the potential of SMME to Create Jobs, 2012) the Sasekane Cooperative, established in 2004 in Limpopo, sells eggs. They approached Seda to help them grow their business. Having developed a business plan, the cooperative was successful in getting a loan of R1.7 million from Old Mutual for a 12 000 capacity layer house, stock for the layers and chicks. The National Development Agency injected an additional R1.7 million for the purchase of a delivery truck, an extra 7 000 layers and to pay salaries of 18 workers for a year (SEDA, 2012).

The remainder of the money was used to build capacity in areas such as financial management, project management and the purchase of office equipment. Seda also facilitated the production of marketing material and branding for the entire business. The interventions have resulted in the cooperative getting contracts from Pick 'n Pay, Friendly Supermarket and Makhoma Butchery. The cooperative currently employs 23 full time employees (SEDA, 2012).

From the above case studies it is evident that a cooperative can participate in commercial farming provided it is given the necessary support. Just like the Asisukume Msinga Cooperative, the tribal authorities are very important partners as they are the custodians of the land. Similarly, a good leadership in the cooperative is of paramount importance. Should a cooperative of such calibre emerge in a district, economic challenges such as unemployment, food security, poverty and hunger can considerably be addressed.

2.12 CONCLUSION

Cooperatives have become the main South African government strategy to redress socio-economic challenge of poverty, unemployment and inequalities, however, there is lot that still need to be done to achieve this. The reflections discussed on cooperatives shows a huge gap between the government commitment and the state of cooperatives presently. Yet there is

more that can be achieved if all stakeholders involved in cooperative development movement can combine their work, skills, resources and commitments to achieve this.

While this chapter has reviewed literature on cooperatives, the next chapter (chapter three) presents the procedures followed in collecting the primary data.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. INTRODUCTION

Research is an explicit and systematic way of finding information about something through a process of testing out the ideas (Hancock et al., 2009). This process starts with identifying the objectives of the research and identifying the research questions and the research design which will be relevant to the research questions. The decision made at this stage determines the audience to be interviewed, the kind of data to be collected and how the data will be collected (Eric, 2010).

For a study such as this, which will utilize primary data, the overall objective of the dissertation is accounted for (Creswell, 2013). According to Patton (1990), primary data is collected by the researcher from people affected by the issue being investigated. It can be collected through discussion, phone interviews, email communication, direct observation and face to face interviews (Patton, 1990). The most commonly use method is through discussion with members and face to face interviews (Creswell, 2013).

Based on the above, then, this chapter seeks to explain the methodology followed to collect primary data for the study. The explanation will include the selected research design, approach, sampling as well as the actual process of collecting data.

3.2. RESEARCH APPROACH AND DESIGN

3.2.1 Research Approach

A qualitative research methodology was used to gather views and experiences of rural cooperatives. The ‘vulnerability’ theme, which occupies a central role in this study, requires subjective responses, with cooperatives describing their vulnerability experiences. This approach was considered over mixed or quantitative approaches.

Qualitative approaches are used are used in cases where theories are tested deductively from the knowledge that exist by mounting the hypothesized relationships and proposed outcome for the topic investigated (Linda, 1994). Qualitative approach broadens the understanding on how things happen in a certain way in the social world (Kobus, 1999). If the researcher wants to explore people’s experiences or understand their views on the something, assessing whether something is implementable, the qualitative approach is the most suitable.

Qualitative research is also about generating explanations of social phenomena. The aim is to assist in the understanding of the world we live in and why things happen the way they are (Creswell, 2003). Creswell (2003) elaborates that that qualitative research seeks to answer questions like, how attitudes and opinions are made, why people behave the way they do, how people are affected with something or behaviour around them, exploring people views, exploring implementation issues, and, understanding why and how practices and culture have developed in the way they are.

Turning to quantitative approach, it is a systematic, objective and formal process where data are used to measure or quantify phenomena and produce findings (Linda, 1994). Quantitative research tells of *the numbers of people* rather than their experiences, so if a researcher want to find out about numbers like how many or how often people behave in a certain way, a quantitative research methodology is the most suitable. This approach is therefore not suitable for the current study.

3.2.2. Research Design

A research design is the plan for conducting the study (Creswell, 2013). It should have a logical meaning that provides links with the research questions, data to be collected and the strategies for analysing data. Moreover logic helps to strengthen the validity of the study (Yin, 2011). Therefore a research design is important in order to have a proper plan or protocol of how one will carry out or accomplish the study (Maxwell, 2005). Therefore research design should be designed before the research itself can be undertaken.

This study used a case study design. A case study refers to a detailed examination of single unit or bounded system such as individuals, a program, event, group, intervention or community and process” (Henning, et al, 2004; 41.). It is a study of “a particular instance” (Rule and John, 2011:3.) as well as a process of conducting an investigation, the unit of study and product of the investigation (Rule and John, 2011).

Case study was appropriate for this study because it assisted in gaining deeper understanding of the situation of understanding the challenges faced by agricultural cooperatives in a specific rural district, Amajuba. The use of case study allowed the researcher to examine Amajuba based cooperatives in a great deal of depth (Rule and John, 2011).

3.2.3. Sampling

Sampling is the design task of deciding which elements in a population will be chosen in order to obtain information needed to complete the study (Loseke, 2013). A sample is a small group drawn from a larger one, with the objective of obtaining reliable information, which would lead to understanding a part of the whole, or even represent the whole (Newby, 2010). Sampling is applicable to both quantitative and qualitative sampling. Quantitative sampling uses random sampling, while qualitative uses non-random sampling (Saunders, Lewis and Thornhill, 2003).

Given that this study is qualitative, non-random sampling was employed, specifically, purposive sampling. In purposive sampling the researcher deliberately picks participants based on discretion or judgement on how they possess particular characteristics that have been stated or outlined, or even meeting requirements that have been stated (Creswell, 2013). Purposive sampling is used in order to access knowledgeable people with in-depth knowledge (Cohen, et al, 2007) based on the pre-knowledge of the participants by the researcher. On this study therefore, the researcher ensured that the selected sample was specifically situated in the agricultural sector, in Amajuba District's rural zones, and they had to be part of a cooperative.

These specifications automatically eliminated various other cooperatives, and preferred a specific sample target. The choice of the sample considered that, according to the regional Department of Economic Development, and Tourism (DEDT) there are fifty seven (57) registered agricultural co-operatives in Amajuba District. Of these, only twenty two (22) are considered operational and some at a very low level. Out of twenty two (22) that are working, twelve cooperatives, which are considered as the most active, were targeted. The most active were those who have regular meetings and undertake joint agenda's regularly. These activities are known to the District, which was consulted in determining the most active cooperatives. However, although the researcher identified twelve cooperatives to be interviewed, only ten were conducted. The other two cooperatives agreed to be interviewed yet there were not available during the data collection period. So in the end, the researcher conducted ten interviews. The specific individuals who were interviewed were the chairperson's of the cooperatives, and where these were not available, any representative of the respective cooperatives were interviewed.

The purposive sampling was made easier by the fact that the cooperatives are registered in a database, and therefore pre-selection was done from the database. Additionally, the researcher is based at the regional Department of Economic Development and Tourism (DEDT) and therefore the researcher was able to access the database without much difficulty.

3.2.4. Ethical Considerations

Prior to the interviews being conducted, appointments were made with the respondents. Respondents were given an informed consent form to sign, which provided them with an opportunity to decline being interviewed, or withdraw from the interview at any given time. Also, the informed consent respondents were asked about recording of the interviews. The interviewer had already received ethical clearance from the University of Kwa-Zulu Natal's research ethics office.

3.2.5. Data Collection

The process of data collection involved semi-structured interview guide with open ended questions. The reason for this interview style is that it allows questions and follow-up questions to take place, and respondents enjoy freedom to express themselves, there are no restrictions pertaining to how questions can be asked (Creswell, 2013). These questions essentially looked at issues which relate to vulnerabilities of rural based cooperatives. Another reason for structuring the interview guide was so that, as observed by Saunders, Lewis and Thornhill (2003:460), the questions addressed the issues purposed by the research questions and research objectives.

The open ended questions especially allowed free expression of information on the part of the interviewees. This was also an opportunity for the interviewer to probe further on answers appeared inconclusive or unexhausted (Appleton, 1993). All in all, the interview questions helped gather information about the feelings, observations, and experiences of agricultural co-operatives about the institutions, stakeholders and officials that are involved in agricultural cooperatives support.

The interviews were conducted using a face to face method, as opposed to telephonic or mail. This was an opportunity to determine whether the interviewer understood the interview, and whether they accepted voluntarily to participate in the study. The researcher did not outsource the data collection process, considering that she wanted to capture both verbal and non-verbal

expressions of the interviewees. The interviews were done in the site where the cooperatives are located with the aim to ensure that the interviewees were comfortable with the interview, they were more likely to be relaxed in their own location and they were easily approachable in their businesses. Moreover, cooperatives work for themselves, therefore it would have been time consuming for them to travel to some other places for interviews. Again some cooperatives would have found it difficult to pay transport costs, should they be required to travel for the sake of this study. It is with these reasons that the interviewer considered to conduct the interviews in cooperatives' locations. The interviews were scheduled for thirty (30) to forty five (45) minutes with the interviewee. A tape recorder was used to record information and the written notes were taken throughout the interview. The interviews were conducted between the 30th of October 2014 and 7th November 2014.

The interviewer gave consideration on to how she presented herself in terms of manner, dress-code and language, so as to be approachable. The dress code was casual and the interviewee's language (Zulu) was used for the interviews.

3.3. DATA ANALYSIS AND INTERPRETATION

Data analysis is the most complex and challenging stage of qualitative research methodology. Collecting data and creating a database is not enough for qualitative research, but the most important thing is to transform raw data into new knowledge by generating the findings (Jane, 1995). According to Thorne, the researcher should be engaged in a demanding and active analytical process throughout all the stages of the study (Thorne, 2011).

Data collection and analysis process cannot be separated, and, it is important to note that data analysis process relies heavily on how the data was collected (Kobus, 2009). Therefore, the data collection approaches, the researcher's theoretical lens where phenomenon is approached and the understanding of important data are all analytical processes that influence the quality of the data (Thorne, 2011).

On this study, data was analysed using a version of phenomenological analysis. Phenomenological analysis is where the researcher gains "depth and meaning through engaging with participants" (Moustakas, 1994:19). The phenomenological method of analysis avoids cross assessments or judgments, and introduces the researcher to the detailed

information that can be valued through a systematic, reflective and comprehensive study experiences (Thorn, 2011). This kind of data analysis was therefore suitable to this study. The analysis process followed the procedures set out by (Hycner, 1995:425-439)

Stage 1: Transcription: the study transcribed the data from audio recording to text.

Stage 2: Bracketing and Phenomenological Reduction: The study ensured that researcher's feelings and views did not interfere with analysis.

Stage 3: Listening to the views for a sense of the whole: This is the stage where the researcher revisited the recording, to ensure that the transcription captured all the necessary data as expressed by the interviewees.

Stage 4: Delineating units of general meaning: At this stage the study tried to make sense of the transcribed information through analysing and synthesising the captured information.

Stage 5: Delineating units of meaning relevant to the research question: The study then reduced general meanings to smaller units. It was then easier to analyse the meanings in the form of smaller units.

Stage 6: Writing as summary of each individual interview: The summary of each research participant incorporating the themes of each participant that have been elicited was then written.

Stage 7: Return to the participants with the summary and asking for fact checking: At this stage the study returned to the research participants with a summary and asked them to verify whether this summary was expressly reflective of the information given by the participants.

Stage 8: Composite summary: This was the last stage where the composite summary of all the interviews were accurately captured and the essence of the phenomenon being investigated was written.

3.4. CONCLUSION

This chapter has outlined the research methodology, approach, design and strategies that were used in collecting data in this study. The importance of the chapter is that, it provides the basis for reliability of the collected data. The process of collecting the data is essential in establishing this reliability. As noted above, the research methodology used in this study was qualitative, with a sample size of ten cooperatives based in Amajuba District. The chapter also noted that interviewees were interviewed where the cooperatives are located, and, captured information was recorded then transcribed. Finally, the data was analysed and interpreted. The following chapter presents the analysis.

CHAPTER FOUR: PRESENTATION OF FINDINGS

4.1. INTRODUCTION

The preceding chapter presented the methodology applied to collect data in this study. This chapter will analyse the findings. It will do so by keeping the dissertation's overall objective in perspective, that is, to understand the challenges faced by rural agricultural cooperatives, specifically in Amajuba District in Northern KwaZulu Natal. The discussion of findings will be done in relationship with the reviewed literature in chapter two.

4.2. SUMMARY OF IDENTIFIED THEMATIC AREAS

Four main themes emerged from the data, and will thus be discussed here. These themes are:

4.2.1. Co-operative's attitude and willingness to participate in agricultural projects.

This theme aimed at identifying the co-operative's attitude and willingness to participate in agricultural projects. The researcher wanted to find out from the participants' view the extent to which agricultural sector is important in the district, what drives the participants towards participating in agricultural projects, what they think are the factors that lead to other farmers withdrawing from agricultural projects, and who do they can contribute to the development of agricultural projects in the district and how. The responses to these questions clarified on the attitude of the participants towards agriculture.

4.2.2. Stakeholder Relationships

On this theme, the researcher identified the stakeholders involved in development of cooperatives, and further explored the relationship between the well-established and small scale agricultural co-operatives. Participants were given an opportunity to define the factors that contribute to the gap between small scale and well established farmers. This theme also included how the participants perceive the key role players in agriculture and the extent to which participants think that these role players can influence good relationship between well established and small scale farmers. The interview guide aimed at gaining the participants' views on the role played by the small scale and the well-established agriculture.

4.2.3. Factors that collectively affect agricultural production.

The factors that collectively affect agricultural production in the district were also considered in the interview guide. The participants were asked to rate the agricultural production by cooperatives in the district and rationalize their ratings by providing the factors that lead to the failure of cooperatives. On this theme, the guide wanted to understand how the participants perceived the way any person or stakeholder can contribute to the increase in agricultural production in the Amajuba district. This gave the researcher a good understanding of all the challenges faced by agricultural cooperatives in the District.

4.2.4. Inequalities and power relations within agricultural sector cooperatives in the District

Part of the objectives of the study was to gain understanding on the inequalities and power relations within the agricultural sector in the district, viewed from cooperatives lenses. The respondents were given a chance to narrate how power relations affect them, to describe the political influence in as far as agricultural sector is concerned in the District and to explain how they see inequalities in the agricultural sector.

The above themes represent the objectives of the study and are analysed more deeply below.

4.3. PRESENTATION OF THE FINDINGS

4.3.1. Co-operative's attitude and willingness to participate in agricultural projects

(a) Introduction

All cooperatives selected for the study has been formed by the group of men, women and youth. The cooperatives are running the different agricultural projects of their own interest (gardening, poultry farming, pig farming, cattle farming, goat farming, eggs production) while others are doing more than one project.

According to the information gathered, some members of the cooperatives have received some kinds of assistance from the Municipality in their program for poverty alleviation. The Department of Agriculture offers some incentives, funding and skills development through advisory and training. The Department of Environmental Affairs, Economic Development

and Tourism provide training programme for cooperative governance and funding, the Department of Trade and industry in their Cooperative's Incentive Scheme Programme and Rural Development offer support in poverty alleviation programmes.

The main objective of assessing the cooperative's attitude and willingness to participate in agricultural projects was to determine whether the failure, is due to their unwillingness to participate, or due to some other factors. As per cooperatives principles created by International Cooperative Alliance (ICA) (2005), the formation of cooperatives is voluntary, and the practice of self-interests is appreciated. Moreover, the most important assets of cooperatives are its members, and the principal aim for cooperatives is to provide basic cultural, social or economic services to improve the welfare of its members.

(b) Formation of Cooperatives in the District

According to participants the concept of cooperatives was introduced in an unproductive way by the government in the District. Communities were mobilised by the government to form cooperatives so that they benefit from government funding. Due to the fact that people were generally poor, when they heard of financial assistance they organised themselves quickly and they were funded by the government through Ithala Bank. After receiving those funds of more than a R100 000 per cooperative, none of those cooperatives can be quoted as a success story in the District according to Mr Hadebe, the Management Committee of KwaZulu Natal Agricultural Union (Kwanalu). This is because the government had not scrutinised the people's interests, all people wanted a stake in the +/-R100 000. Some of those cooperatives had not even tried to start their cooperatives; they just divided the money among themselves. While some tried to establish their cooperatives, they had no skills to manage those cooperatives. Many agricultural cooperatives registered at that time (between 2005 -2008) have closed.

To date, most of the newly registered cooperatives in the District come together for the sake of funding, without much interest in making the cooperatives effective and sustainable.

(c) Cooperatives interest in the agricultural sector

Most of the interviewed cooperatives do not seem passionate about agriculture. They organize themselves as cooperatives for the convenience of obtaining funding and if they do not receive funding they disintegrate. In many cases, when the cooperatives receive funding or assets, they divide the assets among themselves and leave the cooperatives.

“If the government continue to use cooperatives as a political weapon and do not scrutinise the interests of communities, the cooperatives will never be a success in the district and in the whole South Africa. People must work first and then get assistance not assisted first before even showing an interest in the business”. (Respondent 7. 07/11/2014)

According to one of the respondents, some of the cooperative members are not so interested in agricultural activities because of apartheid regime. In apartheid system people were used as slaves, working for white farmers and earning very low wages and salaries. Some people still believe that people who are dealing with agriculture are low-graded, yet they do participate because they don't have an option.

Most participants believe that there are very few cooperatives willing to participate in agricultural activities in the District. The ones which do have passion in agriculture and who understand the dynamics of agriculture; and, they regard agriculture as a very important activity that plays a crucial role in their lives and in the economy.

(c) Importance of Agriculture in the District

Agriculture does not only provide employment opportunities, it also provides food security to a large number of people not just in the District but also in a country. Some people in rural and semi-rural areas of the District are not necessarily organised into cooperatives, although they are fully involved in the one home one garden project of the department of agriculture. By this, they are able to feed their families and sell a little to the neighbourhoods. Agriculture is the main source of livelihoods in the District. The agricultural projects that dominate in the District are; Poultry farming, Pig farming, Cattle farming, Goat farming, Fresh Vegetables and Yellow maize. One of the respondents claimed that the high rate of agricultural

participants is due to the fact that there are no other developed areas of the economy that can absorb the increasing population growth.

Most people living in the District lack the basic education, so with agriculture they are able to use their indigenous knowledge to execute agricultural activities. Moreover, skills, education, passion and family backgrounds are the important factors that motivates agricultural cooperatives.

Some specific skills, education and infrastructure development have been identified by members of the cooperatives as the missing link between them and other cooperatives from the more developed cities like Durban and Johannesburg. These skills include technical business skills, cooperative governance skills, entrepreneurial skills and basic business skills. The infrastructure development includes roads, irrigation systems, poultry cages, etc. These are some of the factors that make the cooperative members lose interests in agriculture as they constrain their development, even though they do not have other alternatives to turn to in the District.

Other challenges that make farmers withdraw from agricultural cooperatives are; lack of cooperation between members, market access, failing to meet the market standards requirements, technical and business skills, financial assistance, infrastructure etc. These challenges will be discussed in details in the next Chapter.

The idea of people coming together and working for themselves to reduce poverty and unemployment has been the national government approach since the democratically elected government in 1994. This was done through the establishment of these cooperatives and Small Medium Businesses (SMMEs), which are the income generation projects, by individuals or group of households.

Unemployment is the reason for the wider spread of poverty in the District, with the unemployment rate at the rate of 45% between 2002-2006 (KZN Trade and Investment, 2013). The industries and firms in the District are failing to absorb the fast growing population in work opportunities. Thus the rate of unemployment is increasing daily. Only the agricultural sector provides the possibility for large scale employment. Most rural population in the District depend on agriculture for their livelihoods, which means the increasing standard of living and the level of national income, therefore the growth of the District depends at the rate at which agriculture grows.

4.3.2. Stakeholders Relationships

(a) Identification of Stakeholders

Almost all cooperatives involved in the study believe that the government can do much better in improving their livelihoods. Respondents identified the following stakeholders as critical to better performance of cooperatives in the District.

- (a) The Department of Environmental affairs
- (b) Economic Development and Tourism (EAEDT)
- (c) Department of Agriculture (DoA)
- (d) Department of Rural Development (DRD)
- (e) Department of Cooperative Governance(CoGTA)
- (f) Department of Trade and Industry (DTI)
- (g) Amajuba District Municipality
- (h) Local Municipalities
- (i) Small Enterprise Development Agency (SEDA)
- (j) Department of Education (DoE)
- (k) Department of Health (DoH)
- (l) Financial as well as Educational institutions
- (m) Commercial Farmers and
- (n) The private Sector

All of the above mentioned stakeholders are considered as having a role to play in cooperatives development. Even though some of the government departments are involved in terms of rolling projects on the ground, majority of them work in Silos. There is no evidence

of coordination effort in the District to promote cooperatives, according to one of the respondents. This is considered as one of the critical challenges which lead to failure of cooperatives. The coordinated effort is needed from the government departments before even looking at other stakeholder's responsibilities in the District. These uncoordinated efforts results in the waste of resources and unequal distribution of resources. For an example one cooperative can source funding from one department and only to approach another department for similar kind of funding, while on the other hand some cooperatives will not be able even to source funding from one department.

(b) The relationship between small scale and big scale commercial farmers

According to the participants there are hardly any relationships between them and the large scale farmers in the district. Mostly, the large scale farmers are dominated by white farmers in the District. There is a need for government intervention to foster the relationships as the following respondent notes.

“We really need help from large scale farmers but it is very difficult to approach them, they don't even feel safe” (Respondent 4. 05/11/2014)

There is however a limited intervention by the government. Some participants confirmed that they have attended some meetings where the government was trying to bring together the small scale and big scale farmers in some activities but nothing tangible has yet happened.

(c) Building the relationships between small scale and large scale farmers

Respondents noted that the government should introduce some formal ways of building and fostering relationships between small-scale and large scale farmers, as they are essential for the growth of small scale cooperatives. This can be done through mentorship programmes where the government could select the number of small scale agricultural cooperatives and hire commercial farmers to mentor the cooperatives. The success for those cooperatives will then be claimed to that specific mentor, and some government policies should be put in place to monitor the programme.

The formation of committees where all level of farmers will share information is another way the government can use to encourage the relationships. Moreover there should be programmes by the government, as a promoter of cooperatives that foster working together.

“The way the commercial farmers are important to us we even learn from them at a distance, I could imagine when we have a close relationship with them, I believe we can learn more from them and prosper”. (Respondent 4. 05/11/2014)

(d) Factors that contribute to the gap between small scale and large scale farmers

According to some participants, one of the major factors which contribute to the gap between the small scale and big scale farmers is the government policy on land reform. This includes the land claim and re-ownership of farms. Although these policies are a good initiation, there are many loopholes in the implementation.

Some participants advised that the government should use the large scale farmers to educate small scale, by employing them as mentors to small scale farmers until they gain all the required skills. But instead, the government buy a farm or claim land and give it back to communities, who do not know anything about agriculture; apparently those produces are not sustainable. Even if government is providing financial assistance to those cooperatives, their sustainability is at a very low level because of the lack of skills which would have been obtained from commercial farmers through training and mentorship programme.

Another factor that contributes to the gap between small scale and commercial farmers is competition. Competition is central to markets operations and, it promotes productivity, innovation and growth all of which reduce poverty and creates wealth (OECD: 2008). Some participants believe that competition is one of the main factors that’s build the gap between them and large scale farmers.

“Even if we are still producing at small scale, there are big possibilities that in future we might be producing at a large scale with the government assistance, and we are selling to the same customers” (Respondent 6. 06/11/2014)

There is a feeling from participants that they are a threat to large scale farmers. However they understand the importance of building good relationships with commercial farmers through learning, sharing information and making business together, to advance their own interests. This is because markets do not always work well, because those that matter most to the poor are often uncompetitive.

(e) The importance of small scale agricultural cooperatives

The evidence that small scale agricultural cooperatives contributes to food security is not the only reason that make them important than the big scale farmers. Small scale agricultural cooperatives are distributed all over the District and produce food for many rural communities at cheaper prices. The participants argued that rural agricultural cooperatives offer a number of essential economic, social and environmental advantages.

“Small scale agricultural cooperatives contribute to the rural development and are creating employment opportunities, besides they are also protecting ecosystems since they combine different crops, trees, plants and animals on the same piece of land”. He continues: *“Moreover when the income of small agricultural farmers increase in the district, its create a market for other goods and services that other sectors produce, so by increasing the income of other sectors, the income for the whole district grow”* (Respondent 1. (30/10/2014)

Additionally participants claimed that small scale agricultural cooperatives are environmentally friendly compared to other large scale farmers, especially agri-businesses. For this reason, participants think it is important for them to be supported. The history of small scale farmers in the District, where they have survived under worse conditions, show case the fact that when these farmers can be supported fairly with the means of producing more, they can innovate, invest and respond to the food demand for the District. According to participants, it is not the lack of the large scale farmers that bring about the failure in agriculture in the District, but the lack of basic conditions to allow small scale agricultural cooperatives to fulfill their potential.

Participants consider large scale famers as playing an important role in producing enough food to reduce food prices and to meet the future demand of growing population. There should be, however, initiatives by the government to make these large farmers work together with small scale farmers in the District as discussed above. Commercial farmers are also playing a big role in providing employment opportunities in the District.

4.3.3. Factors that collectively affect agricultural production

Most participants share the view that agricultural cooperatives production has not decreased or increased over the past five (5) years in Amajuba District. Participants however believe that population growth has led to an increase in the demand for food in the district. Thus the population growth does not correspond with the stable agricultural supply. Yet other participants believe that the agricultural production for cooperatives have decreased in the district. There are, however some factors that have been identified by the participants as the leading factors for the decrease in the rural cooperatives agricultural production. These include the following.

(a) Lack of Cooperation among members

The model for cooperatives is “an independent association of people who came together voluntarily to meet their cultural, economic and social needs and aspirations through a democratically controlled and jointly owned business” (CIA, 2005:4). Most cooperatives tend to misunderstand and misuse the “democratically controlled” statement on the definition of cooperatives. The misunderstanding creates conflicts and lack of members’ engagement, but the key success of the cooperatives lies within the cooperation between its members. Cooperatives heavily depend on their members to identify opportunities and to find a way to respond to those opportunities and make informed decisions. There is a direct link between cooperative success and members’ participation (Grauvilardell, 2013).

One of the main challenges facing the cooperatives in the District is the lack of cooperation among members. All participants in this study have identified the lack of members’ engagement as the strongest factor which leads to the failure of cooperatives in the District. The strategies applied for the formation of cooperatives has been criticized by the participants as the one that add to the challenge of cooperation. Most of cooperatives in the District have been established with no agricultural or business interests from members but members were driven by the availability money from different state funding according to participants. It is therefore difficult for people without interest and passion to cooperate.

“The establishment of cooperatives was wrong even before, people were just collected from the streets and made cooperatives without any interests. If agricultural

cooperatives can be formed with some interests rooted from its members, cooperation can be easily achieved” (Respondent 7. 07/11/2014)

The way to scrutinize interests according to participants is for the government to check what a cooperative has done to date, and then intervene by assisting where they need assistance, rather than financing all the start-up operations of cooperatives. If people have not contributed anything in the business they tend to be careless, hindrance and greedy, and the failure is certain.

This lack of cooperation has resulted in less representatives, and cooperatives cannot properly identify the opportunities and respond to them effectively, placing uneven weight and control to management’s shoulders and decreasing the collaboration nature of cooperatives. This lack of cooperation also results in the lack of member’s economic participation. This reduces the ability of cooperative to receive the financial support from members. Clearly, lack of cooperation reduces the expansion of cooperatives. Those members who are still active will most likely spend more time looking for other members for replacements, helping in the expansion of cooperative and membership renewals.

The successful implementation and growth of the cooperative movement lies on the cooperation among members, otherwise the cooperative will be faced with a serious threat of failure should the members’ cooperation remain unresolved.

(b) Shortage of market access

The ability to access markets is one of the main factors to the success of all businesses. Businesses who are able to secure contracts with the buyers of their products sustain their productivity easily. Even if all other business operations can run properly, if the business is struggling to access the market, failure is a high likelihood.

Almost all participants claim to experience challenges in finding markets for their products. The small scale agricultural cooperatives find it difficult to access the market in the District and to compete with the commercial farmers, locally and internationally. The small scale agricultural cooperatives are dominated by chicken broilers. Agriculture and other funding institutions have assisted the cooperatives in getting infrastructure and other equipment for chicken farming; however the lack of market access is a challenge as noted by one of the respondents.

“When we started with the production of chicken, Checkers has promised us that it will buy our products, and when the stock was here they were not buying because they have secured suppliers overseas who are supplying at very lower prices”
(Respondent 9. 07/11/2014)

The more advanced suppliers use sophisticated yet cheaper methods of production which make it difficult for the emerging farmers to compete with them. Moreover to sell other agricultural products, like chickens to the bigger markets, cooperatives need to be accredited by South African Bureau of Standards (SABS). According to participants, they have potential as small scale farmers yet they don't meet the market standard.

“Look we have chicken houses that accommodate six thousands (6000) chickens, with a complete equipment inside, but we are only growing less than a thousand (1000) chickens per month because we don't have a market, we are only selling to the communities” (Respondent 10. 07/11/2014)

Additionally participants mentioned that with agricultural products, farmers don't get profit when selling at low quantities, they need to sell in bulks to make profits.

“There are lots of monies that are needed for us to be permitted and licensed for trading our product in as far as SABS is concerned, however, we don't have clear information with regards to the requirements and there are no funds to licence our products” (Respondent 6. 06/11/2014)

Participants suggested the need for government intervention for the purpose of accessing markets. This would include negotiating a market for their fresh produce. While cooperatives are aware of the markets, they need a middle person (the government) to negotiate those markets.

“In this district we have more than fifty (50) public schools, about four (4) public hospitals, all these institutions demand loads of fresh produce per day, but we cannot access their market because they have contracts with big businesses who supply them with what we can offer” (Respondent 10. 07/11/2014)

(c) Lack of technical and business skills

Business and technical skills are critical for the success of any business and, participants understand the importance of possessing these sets of skills. With regard to technical skills, the challenge with agriculture is that almost every day new and better ways of producing are being introduced, so they need to be updated every now and then.

“Sometimes our product is very discouraging because we are short of technical skills, few months our cooperative lost six thousands cabbages because we have used wrong chemicals in the process” (Respondent 9. 07/11/2014)

One of the respondents confirmed the above, citing that neighbouring cooperative planted more than 100 hectares of maize and used the wrong spray, which destroyed the whole production. All respondents note technical skills as a challenge to their cooperatives. Even the animal farming agricultural cooperatives pointed out that new diseases continue to plague livestock farming, which leads to loss of stock. This loss results from the fact that the farmers can't deal with those diseases because of lack of information and skills. Government and other organisations do give some training sometimes, but the participants feel that those one day or two days training courses do not achieve much.

“I was in Brazil for Brics representing cooperatives in the district early this year (2014), when we compare ourselves with other countries, we are just nowhere, those countries in Brics, when they talk training, they train for massive production, if our government can also learn how other countries do it I think we can grow” (Respondent 6. 06/11/2014).

According to respondent six, between 2005 and 2006 the government provided millions of Rands in the District for agricultural cooperatives in the form of loans through Ithala bank, but very few if not none of those cooperatives managed to pay back loans. Cooperatives are funded in the District through assets, cash or incentives although those funds are not enough. Most cooperatives have failed to manage those funds and assets as they lack management and business skills.

“Sometimes we do get training from the government departments but those trainings are not enough because at end of the session we cannot apply what we were taught,

the times for those courses are so short they don't make much difference"
(Respondent 4. 05/11/2014)

Respondent number 8 also think that the government courses that are being provided are very short and they don't cover all the important aspects of business and managerial skills. Additionally the small scale agricultural cooperatives lack soft skills like communication skills, conflict management, time management and self-management skills. Those skills are very important for a success of the business, however, none of the cooperatives development stakeholders look at those aspects. According to a respondent the cooperative movement developers should consider the importance of soft skills as they value the importance of other skills in the business.

(d) Lack of information

Successful businesses are fully informed of the markets, opportunities that are in the market, skills required for their business development, where and how to acquire those skills, government institutions and other agencies for funding and their requirements for funding, stakeholders involved in their businesses, their roles and responsibilities etc.

Most respondents know that there are different government departments that play some roles in the development of cooperatives but very few are aware of the duties for each department. The success of these cooperatives depend on these government departments, so if cooperatives are not aware about their developers, that is a major challenge. One of the respondents noted as follows.

"I know there are other departments like rural development but I don't know what they are doing, with the Economic Development Department is my first time hearing about it". (Respondent 5. 06/11/2014)

Other respondents are not aware about the popular cooperatives incentives that are provided by the Department of Trade and industry (DTI). Others know that there are incentives but do not know what to do to benefit from those incentives. Few cooperatives do show some awareness of the DTI cooperatives incentive but none of the respondents has ever accessed the DTI funding.

There is also SEDA in the District which is responsible for the development of cooperatives in terms of marketing information, business skills training, technical training and business plan finance. Only three respondents claim to know about SEDA and their services, the others are aware that SEDA exists but do not know the kinds of services provided by the organization. What is even more worrying is that, some are not aware of the existence of SEDA or their services. This is a major challenge of which the District and all stakeholders involved in the cooperatives development should work on for the success of cooperatives and small businesses.

(e) Scarce Financial Resources

Small agricultural cooperatives need financial assistance for them to sustain their development. Assistance can be in the form of infrastructure, assets, training, mentorship, start-up capital, incentives, and cash or in services. Assisting in some or even all the above ways would help develop into a point where they can become self-sustainable. As already pointed out, it is more reasonable to assist cooperatives which have already started and therefore have an agenda or a sense of purpose.

Out of the ten (10) cooperatives that were interviewed, seven (7) have received some form of assistance from one or two government departments. But still the assistance does not meet the financial needs for cooperatives as indicated by one of the respondents below.

“I think it is the high time that government should think of agricultural cooperatives as businesses that need to develop and supply big markets, because it is that government attitude about agricultural cooperatives that let us down. Government think of agricultural cooperatives as poverty alleviation projects only that is why all the time the assistance that is allocated to agricultural cooperatives is very small. We will remain small and struggling until the government changed his attitude about us”
(Respondent 6.06/11/2014)

Although these cooperatives have been assisted in some different ways, the assistance cannot make them better businesses because of the level of assistance. They are only able to sell to few people and support their families. Most of agricultural cooperatives that were assisted have closed down because the assistance was not enough. Those who were assisted in the form of assets have sold the assets, given that they did not see the use of those assets.

Another challenge that faces agricultural cooperatives in Amajuba District is the waiting period before getting financial assistance from government after the approval. Almost all respondents criticise the government procedures to release funding. Thus one respondent observed the following:

“I took us some years to apply for funds to government, and at last when we were told that our application was successful, we sold our stock and took our monies that we had and do some other operations of the business preparing for the bigger operations as we were promised to get money in less than two months. Guess what? It took government more than a year to release those funds and we had to start afresh. We lost our customers, they had no trust on us and so many things were messed up....”.
(Respondent 1. 30/10/2014)

Other respondents mentioned that they get promises from departments who claim that their projects will be funded, only to end up not receiving those funds because they are told that the funds are exhausted. Others, still, send through applications to Ithala Bank and to the Department of Trade and Industry (DTI), applying for cooperative funding, only in vain. In other words, they have never received any feedback, whether positive or negative. These cooperatives would prefer that applications are responded to, so that they know about their mistake and work on them in future.

(f) Lack of monitoring and evaluation of agricultural projects after being funded

The agricultural cooperatives are assisted at a minimum level in the District, but there is no formal monitoring and evaluation process. Monitoring and evaluation of projects can help to answer the questions of why small scale agricultural cooperatives fail in the District.

Lack of monitoring and evaluation was pointed out by participants as a critical failure on the part of government. Respondent six highlighted that the lack of monitoring projects is a waste of government resources, because other funded cooperatives cash in their assets, because they know that there will be no follow ups in form of monitoring and evaluation.

Participants suggest the need for a strict monitoring and evaluation policy on the part of funding institutions and government, to check on the feedback for projects. This would assist the cooperatives to determine the failure of agricultural projects and apply some sustainable corrective measures.

Respondent five argues that even the government and funding agencies do not clearly understand clearly the failure of their projects because there is no effective tracking, or documented results of their interventions. There is a general need from respondents that government should design the monitoring and evaluation policy for the District.

(g) Unavailability of land

Large numbers of small agricultural cooperatives in the District are constrained by lack of access to land, which affects the performance and growth of their cooperatives. For respondent two, black farmers in the district owned vast of land before they were moved between late 1940s and early 1980s. These removals were both governments' evictions laws to ban labour tenancy and because people were demanding to become full time employees in the farms rather than tenants. Osizweni and Madadeni townships were then established to accommodate people who were moved in the farms in the Amajuba District in Utrecht, Charlestown, Dannhauser and Newcastle. Although the some land claims have been processed in the District through Land Reform Act (LAC) no 3 of 1996, vast pieces of commercial land still belongs to white farmers.

Respondent eight criticises the government policy in the implementation of Land Reform Act no 3 of 1996,

“The government claim land that belongs to one white farmer to the value of R6m for instance, and relocate to the community of more than hundred people for instance, and refer to them as trust. Some of those people don't have even an interest of farming some don't even care about being in business. This contributes to high conflicts between members of the trust, and results in the farm not being fully used. Members end up fighting for assets. Lots of farms land that were given to Trusts are not functioning in the district” (Respondent 7. 07/11/2014)

In cases where small scale farmers were given land, they have been unable to use the land suitably and optimally. In some cases after acquiring land, cooperatives do not have the resources to utilise the land productively, given that they do not have enough capital.

Respondent nine has articulated that although large tracts of land in the District belongs to Ingonyama, accessing that land is a major challenge due to political issues. Some land has

been left unused for long time and it is therefore expensive to cultivate it for the preparation of crops.

Majority of participants believe that the government can play a big role to avail land to small agricultural farmers. By so doing the government will be contributing to the development not only of small scale agricultural cooperates, but also of the District as a whole.

4.3.4. Inequalities and power relations within agricultural sector in the district

Respondents were hesitant to provide information, on this subject because they feared repercussions for their responses. Those who did, however, considered the government as an important instrument for stimulating growth including the development of agricultural cooperatives. Development of agricultural cooperatives is perceived as something that mainly comes from the government actions, and the lack of agricultural cooperatives is considered as government failure. The failure of cooperatives in the District is also associated with the government failure as noted below.

“I think government does not take agricultural cooperatives serious and this is affecting us. In times of white dominated government white farmers were dominating the agricultural sector because the government was assisting them with high graded infrastructure, subsidies, advanced agricultural technology, equipment and financial assistance. That is why they were prospering with their production”. (Respondent 8. 07/11/2014)

Marcus (1996) argues that white farmers were fully supported by the apartheid government and therefore kept generations of white farmers in commercial agriculture. Respondents claim that the government does not show much interest in small scale agricultural businesses. This view is supported by the limited allocation of funds to small scale agriculture. Participants argue that government understands how expensive agricultural inputs and agricultural infrastructure is, yet the government provides only limited support in these.

“If National Party government did it for white farmers, what stops African National Congress to do it for Black farmers? Otherwise this is a game of which small scale farmers are not going to win” (Respondent 2. 04/11/2014)

Respondents are critical of the government, claiming that the government is preaching the gospel of redistribution through cooperatives all over the country yet there is very little or nothing being done. Some participants even contend that some of the agricultural cooperatives get special attention from the politicians because either they are known by people in authority or they are part of a particular political party or those people in authority get financial benefits from them in return.

“I’ve been to this sector for very long, I know all the agencies and departments that give funding to agricultural cooperatives, however there are few farmers who have just started with agriculture and they have been funded with millions of Rands, are very far now because they know some top authority people. When you ask them how they were funded, you don’t get a clear answer, but we know and see what is happening” (Respondent 9. 07/11/2014)

“This thing of politics and power is really discouraging us because it means that if you don’t know anyone you are not going to be assisted, so in that way that means we are not going to grow” (Respondent 9. 07/11.2014)

4.4. CONCLUSION

This chapter presented and analysed the primary data. A total of four themes have been analysed in this regard. The first theme looked at the attitudes and willingness of cooperatives to participate in agricultural projects. The objective was to establish the extent to which agricultural sector is important in the District, and the motivations which drive participants towards participating in agricultural projects. Secondly, the Chapter considered stakeholder relationships in so far as cooperatives are concerned. In this theme, participants talked about the factors which contribute to the gap between small scale and well established farmers. Thirdly, the factors which affect agricultural production, from the perspective of the cooperatives, were discussed. The issue of how cooperatives perceive as the role of various stakeholders in production of agriculture was part of this discussion. The final theme tackled

inequalities and power relations within agricultural sector cooperatives, including the politics which play out in the management of cooperatives.

The next chapter will present the final conclusion and recommendations of the research, as well as areas for future research.

CHAPTER FIVE: RECOMMENDATIONS AND CONCLUSIONS

5.1. INTRODUCTION

This chapter will present the recommendations as well as the final conclusions of the study. The recommendations are expected to provide policy makers responsible for the development of cooperatives with useful and credible information on agricultural cooperatives. While these recommendations can be applied in different contexts, the following limitations should be taken into consideration.

First, as mentioned in the methodology, the research participants are clients to the researcher. There is a high likelihood that the participants were less free to give their responses and ideas about the study, fearing for implications. Although anonymity was guaranteed, it is naturally expected that the participants still viewed themselves as beneficiaries of the researcher's organization, and would therefore like to present a distorted picture for the sake of winning favor. To control for this possibility, the researcher emphasized that this was an academic exercise. Nevertheless, the donor-beneficiary psychology was in all probabilities present. Second, power relations and politics was a sensitive issue for many participants. On these questions, most participants either responded by saying they were not sure, or they did not know at all. The few who responded to the power relations questions requested that their conversations should not be recorded. Third, the study focused on a specific geographical area, namely, Amajuba District. It is unlikely that other areas would reflect the exact cooperatives situation as in Amajuba District. Fifth, the target population of the study was limited to only ten (10) registered rural agricultural cooperatives in the District. Other sectors will have different experiences and challenges.

5.2. CORE FINDINGS AND RECOMMENDATIONS

This section presents the summary of core findings and the proposed propositions of the study. These propositions are deduced from the findings of the study. The findings reveal that there are challenges related to all the themes that have been researched in the study. Some

challenges established in the study as having effect on the rural agricultural cooperatives are consistence with what was found on the literature. However, the study established additional challenges which include:

- (a) The lack of cooperatives interest in agricultural activities,
- (b) Poor or non-existence relationships between the small scale agricultural cooperatives and large commercial farmers and
- (c) The lack of monitoring and evaluation of funded projects.

The summarised core findings and recommendations are placed alongside the four identified themes as below.

5.2.1 Cooperative's Attitude and Willingness to Participate in Agricultural Projects

Phillip (2003) identifies one of the major roles of co-operatives as promotion of social and economic development. Worldwide, co-operatives have been promoted as vehicles for economic development (Lawrence, 2003). The literature review has pointed to the need for Cooperative strategy even on a local level.

The study revealed that the failure of cooperatives in the District is due to the lack of interests in agricultural activities. The findings show that there are three groups of agricultural cooperatives in as far as attitude and willingness to participate is concerned. The first large group consists of those who had no interest in agricultural cooperatives but who were after the benefits. The second group are those with interest but due to challenges in the sector they are discouraged. The last group are those with passion in agriculture regardless of the challenges they face.

The study further found that some individuals start cooperatives with a positive attitude and interests in agriculture and in business as large. They are however discouraged along the way due to the factors and challenges which affect cooperatives in the District. Within the discouraged group, some are still in the sector with the hope that one day thing will normalise, others have stayed because there are no other opportunities available for them except in agriculture, while others has left the sector altogether.

Recommendation

The lack of interest is a combination of many factors, involving a range of stakeholders. This study recommends that the District conduct an audit of all agricultural cooperatives, and effectively conduct some research to establish attitudes and willingness of existing cooperatives. This will assist in gauging whether a given cooperative is likely to be sustainable, or whether it would simply be wastage of resources. Following this audit, the government needs to support only those cooperatives which demonstrate keen interest and willingness. This audit should be an annual process, considering that interests and willingness can dwindle overtime. An annual audit will ensure that the committed cooperatives are re-supported, and, those which require boost to maintain their survival are also helped. This, however, will also be an opportunity.

5.2.2 Relationship between the well-established and small scale Agricultural Cooperatives

As already argued, relationships between the well-established commercial farmers and small scale agricultural cooperatives is important for the development of small scale cooperatives. The study found that these relationships do not exist. And, although there is a role played by the small scale cooperatives, they still need to be assisted for them to play a meaningful role. Many of them are still faced with challenges which limit them from being productive and sustainable. There is a major role which could be played by large scale farmers in the development of rural agricultural cooperatives.

Recommendation

Big scale commercial farmers and private sector have a critical role to play in mentoring small scale agricultural cooperatives, as a social responsibility. Participants proposed that the municipality should coordinate mentorship efforts which should include the private sectors and large scale commercial farmers. The mentorship programme should take the form of an incubation initiative, where large scale farmers and the private sector incubate a particular agricultural cooperative for a period of time, such as two years. This programme should emphasize the need for incubated cooperatives to graduate after two years, and to provide an annual progress report to the District after the incubation period.

One of the ways of setting up this mentorship programme is the creation of a database of all small scale agricultural cooperatives (with complete profile and challenges of each), as well as creation of a mentor database of all commercial farmers. These databases should then be examined, and, the District should match these databases based on indicators such as location, strengths, weaknesses as well as challenges. This should be a consultative exercise involving all parties, before the final mentorship match is concluded.

5.2.3 Factors which Collectively affect Agricultural Production

Lack of market access has been identified as one of the main cause for the failure of cooperatives in the Amajuba District by both literature and the findings of this study. Dlamini (2010) notes that smallholder agricultural cooperatives and their area of location is the main reason for market constraints and the challenges are due to the limited access to information and poor infrastructure that typify rural communities. DAFF (2011) also confirms that market access is the main restraining factor for cooperatives movement.

The findings showed that rural agricultural cooperatives lack both business and technical skills. Van der Walt (2005) has also observed the lack of adequate education and training as a challenge to cooperatives. Education training and information is one of the seven principles presented by the International Cooperative Alliance (ICA) (2005). They also lack information, poor market access, poor access to land, lack of funding resources as well as lack of sustainability programme.

Recommendation

To address the information gap challenge, the District could establish committees where all level of farmers will sit together and share information. On lack of business and technical skills, education opportunities should be made available for the cooperatives in the district. On this, the government could build partnership with Further Education and Training Colleges (FETs) that are all around the District to provide skills to small scale agricultural cooperatives. The training should include both technical and business management training.

The participants proposed that the government should consider introducing a Monitoring and Evaluation policy, in addition to District level cooperatives development strategy. The

District should then be responsible to implement the M&E programme. Monitoring and Evaluation would assist in acquiring lessons on successes and failures and therefore prevent unnecessary waste of resources.

Respondents also recommended government intervention on facilitating market access to small scale cooperatives. Small scale farmers are aware of the markets, but they need mediation to increase their bargaining power. One way to realise this market access objective is for the District to procure produce from agricultural cooperatives.

Land access is another intervention, which the District can negotiate with Ingonyama Trust on behalf of the cooperatives. Accessing land is likely to provide opportunities for growth only that this intervention should be followed up by other forms of support such as resources for inputs and farm management training programmes.

5.2.4 Inequalities and Power Relations within Agricultural Sector in the District

Inequalities and power relation is one of the dynamics that has been observed in the district as a concern in agricultural cooperatives. The findings have also maintained that the government provides limited financial support. The study further found that there are unfair practices in the sector, where some cooperatives get special treatment because they have relationships with government officials or because they belong to a particular political party.

Recommendation

The most effective way to address this power relations issue, is for the government to consider channelling funds through Non-Government Organizations, with conditionalities attached to these resources. NGO's are less likely to be political. The Government could also play a major role in facilitating access to loan credits from commercial banks. This, together with mentorship programmes are likely to produce a sense of responsibility on the cooperatives especially because they know they need to repay the money. Direct Grant funding from the government is not likely to be sustainable or effective as history has shown.

5.3. CONCLUSION

The use of cooperatives as a development tool is another strategy that is used by the South African government in trying to make all people participate in country's economic activities, thereby reducing poverty and unemployment. Notwithstanding, there are many challenges that constrain the development of cooperatives. This study is based on the attempt to understand these challenges, as well as the interest to find lasting solutions. Using a case study of Amajuba District in Northern KwaZulu Natal, the research aimed at gaining understanding of how rural based cooperatives cope with internal and external vulnerabilities.

Chapter One presented the background of the study by highlighting the problem statement, motivation for the study, research objectives and questions as well as a short description of the study area. In Chapter two, the researcher reviewed the literature on cooperatives, focusing on the nature of cooperatives and their challenges in South Africa. This Chapter was critical in identifying some of the documented challenges as far as cooperatives in South Africa are concerned. In Chapter Three, the methodology of the research was provided. This entailed the research approach (which was qualitative), the sampling procedure as well as the entire process of collecting data. As already noted in Chapter Three, the necessary caution was exercised to minimise biases. Chapter four presented the main findings, which are summarised into four themes, and, the recommendations and conclusions were presented in Chapter Five.

The dissertation found that agricultural cooperatives in the district continue to experience significant problems, which have hindered their development. The main identified reason for the failure of cooperatives in the district has been the lack of interest from members. Other internal challenges include conflict among members and poor management. The study also identified external challenges such as lack of training and skills, lack of access to land, lack of finance and lack of monitoring and evaluation of their initiatives. These challenges, the study has argued, should motivate the government to provide the necessary support to rural based cooperatives, through provision of training, facilitation of credit access inclusive of financial grants, infrastructure and extension of quality services. This support will enable small scale cooperatives to compete with larger economic players in a free market system.

The government should also introduce better ways to present the concept of cooperatives to South African communities that will be adding value to the growth of a country.

Although cooperatives have played a very important role in the development of the less-developed countries, in South Africa (RSA) the government is still have to do a lot in supporting the development of cooperatives mostly in rural districts.

Prior to 1994, the success of agricultural cooperatives in RSA was due to the fact that agricultural cooperatives received a large extent support from past apartheid government and those cooperatives were owned by white farmers. The introduction and promotion of small scale farmers was the idea of the democratic government to allow all citizens to make a meaningful development in the economy and to better their standard of living. However most small scale farmers that were established, many did not survive because of the challenges that have been articulated throughout the study.

Rural agricultural cooperatives in the district have also experienced the problems that have hindered their development; many did not survive because of conflict among members, poor management, lack of training and skills, lack of finance and lack of monitoring and evaluation. The main identified reason for the failure of cooperatives in the district has been the lack of interest from members. Research participants have criticized the method used by the government when introducing cooperatives in the district. It has been established that when cooperatives were being assisted their interest in agriculture has not been scrutinised, therefore wrong cooperatives were supported.

The government should therefore introduce better ways to present the concept of cooperatives to South African communities, so that it's adding value to the growth of a country. Otherwise the government will continue to support cooperatives that will end up dying because they are not ready. These affect the growth of a country negatively because there are lots of resources that are being wasted.

5.4. Areas of future Research

Finally, this study recommends areas which should be examined as part of future research on cooperatives.

- (a) How agricultural cooperatives function in the agricultural value chain
- (b) Economic vulnerability of cooperatives which depend almost entirely on agriculture
- (c) How agricultural cooperatives are treating issues of environmental sustainability
- (d) Gender issues in the agricultural cooperatives.

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APPENDIX ONE: INTERVIEW GUIDE

INTERVIEW SCHEDULE

A. To identify co-operative's motivation for participating in agricultural project

1. In your view, to what extent is the importance of agricultural sector in the district?
2. What drives you to participate in agricultural projects?
3. What do you think are the factors that lead to other farmers withdrawing from agricultural projects?
4. Do you think there is a way any person or stakeholder can contribute to the development of agricultural projects in this district?
5. Are you willing to continue with agricultural projects? Why?

B. To evaluate possible influence of well-established agricultural co-operatives on small scale agricultural co-operatives

6. Could you describe the relationship between the well-established and small scale agricultural co-operatives in terms of making business?
7. What could you regard as the important factors that contribute to the gap between to small-scale and well-established farmers?
8. Who are the important role players in agriculture and to what extent do you think they can influence good relationship between well-established and small scale farmers?
9. In the district who can play the most important role between the small scale and the well-established agricultural farmers? Please support your answer.

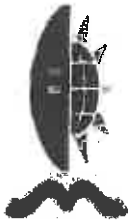
C. To examine specific factors or elements that ultimately leads to the failure of agricultural co-operatives

10. On your own discretion, how do you rate the agricultural product, is it declining or increasing?
11. What do you think are the factors that lead to your above answer?
12. Do you think there is a way any person or stakeholder can contribute to the increase in agricultural production in this district? How?
13. Where do you see the district in the next 10 years in as far as agricultural production is concerned?

D. To assess the inequalities and power relations within the agricultural sector in the district.

14. How and to what extent do power relations affect the agricultural sector?
15. Describe the political influence in as far as agricultural sector is concerned in the districts?
16. To what extent, and how do you define inequalities in the agricultural sector?
17. Is there any political influence in the performance of agricultural sector? How?

APPENDIX TWO: ETHICAL CLEARANCE



UNIVERSITY OF
KWAZULU-NATAL
INYUVESI
YAKWAZULU-NATALI

25 July 2014

Mrs Hlengwe Ntongoloz Dube 213572399
Graduate School of Business and Leadership
Westville Campus

Protocol reference number: HSS/0856/014M

Project title: Vulnerabilities of rural agricultural co-operatives in KwaZulu-Natal: A case Study of AmaJuba District, South Africa.

Dear Mrs Dube

Expedited Approval

In response to your application dated 23 July 2014, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

Dr Shenuka Singh (Chair)

/px

cc Supervisor: Mr Steven Msomi
cc Academic Leader Research: Dr E Munapo
cc School Administrator: Ms Eileen Mohamed

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X64001, Durban 4000

Telephone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4600 Email: ximben@ukzn.ac.za / shymam@ukzn.ac.za / mohun@ukzn.ac.za

Website: www.ukzn.ac.za



100 YEARS OF ACADEMIC EXCELLENCE

APPENDIX THREE: CONSENT LETTER

UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

Researcher: Ms Hlengiwe Dube (0795052411/0343280302)

Supervisor: Mr. T Msomi (0716765447)

Dear Respondent,

I, Hlengiwe Dube (213572399) a Master of Commerce student, at the Graduate School of Business & Leadership, of the University of Kwazulu Natal invite you to participate in a research project entitled "*Vulnerabilities of rural agricultural co-operatives in KwaZulu Natal: A Case Study of Amajuba District, South Africa.*". The aim of this study is to assess the vulnerability of agricultural co-operatives at Amajuba district.

Through your participation I hope to address the following questions:

- in your view to what extent is the importance of agricultural sector in the district?
- What could you regard as the most factors that contribute to the gap between small scale and well established farmers?
- What do you think are the factors that lead to failure of agricultural projects, mostly for co-operatives?
- To what extent does politics affect agricultural production?
- What do you think can be done by the government to help agricultural co-operative develop?

The results of this research study are intended to contribute to the literature on the development of Agricultural co-operatives in the rural districts.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and leadership, UKZN.

If you have any questions or concerns about participating in this study, you may contact me or my supervisor on the numbers listed above.

The interview should take you about 20-30 minutes to complete.

Sincerely

Researcher's Signature _____

Date _____

CONSENT

I (full names & surname of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

Signature of Participant.....

Date.....

APPENDIX FOUR: SUPERVISOR'S PERMISSION TO SUBMIT

University of KwaZulu-Natal
Faculty of Management Studies
Graduate School of Business

Supervisors permission to submit for examination

Date:	13 January 2015
Student Name:	Hlengiwe Dube
Student no.:	213572399
Dissertation Title:	Vulnerabilities of Rural Agricultural Co-Operatives in KwaZulu Natal: A Case Study Of Amajuba District, South Africa

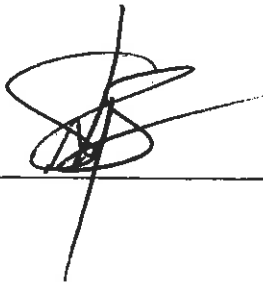
As the candidate's supervisor,

- I AGREE to the submission of this dissertation for examination
 I DO NOT AGREE to the submission of this dissertation for examination

The above student has satisfied the requirements of English Language competency.

Name of Supervisor:

Signature:



Date:

22 Jan 2015

APPENDIX FIVE: TURNITIN REPORT

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0.052553 secs
RAM: 7.4MB
RAM peak: 8.5MB
Included 163 files
Contexts for which filters were loaded: 0
Filters created: 0
Pieces of content filtered: 0
Strings filtered: 0
get_string calls: 152
DB reads/writes: 37/1
DB queries time: 0.0123 secs
ticks: 5 user: 4 sys: 0 cuser: 0 csys: 0
Load average: 0.02
Session (core\session\file): 26.4KB
Caches used (hits/misses/sets)