THE ROLE OF THE DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES IN STRENGTHENING EXISTING SECOND-TIER AGRICULTURAL COOPERATIVES IN SOUTH AFRICA.

by

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CO-SUPERVISOR: PROF G NAIDOO

JUNE 2013
DECLARATION

I declare that “THE ROLE OF THE DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES IN STRENGTHENING EXISTING SECOND-TIER AGRICULTURAL COOPERATIVES IN SOUTH AFRICA” is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of a complete list of references.

Signature: ........................................ Date: .................
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Lastly, to the Heavenly Father, thank you for giving me life, health, strength and courage to pursue this project despite its demanding nature.
The study was undertaken to establish the role that should be played by the Department of Agriculture, Forestry and Fisheries (DAFF) to strengthen existing second-tier agricultural cooperatives in South Africa to ensure that they are able to provide support services to member cooperatives. Ten existing second-tier agricultural cooperatives in the Zululand district of the province of Kwazulu Natal took part in the study.

The results indicate that although these cooperatives understand the services to provide, they lack capacity mainly due to lack of the necessary infrastructure, finance and skills. The study recommends that DAFF should recognise the significance of this tier of cooperatives and provide direct and focused support. DAFF should develop a Cooperative Development Strategy for the sector that clearly articulates how it is going to support this level of cooperatives. Among others DAFF should also provide initial infrastructure to these cooperatives and facilitate private-public-partnership initiatives.
KEY TERMS

Department of Agriculture, Forestry and Fisheries, Second-tier agricultural cooperatives, strengthen, primary cooperatives, tertiary cooperatives, horizontal and vertical integration.
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<td>APA</td>
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<td>ABC</td>
<td>Agriculture Business Chamber</td>
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<td>ACE</td>
<td>Agricultural Cooperatives Ethiopia</td>
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<td>AMUL</td>
<td>Anand Milk Union Limited</td>
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<td>BEE</td>
<td>Black Economic Empowerment</td>
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<tr>
<td>CASP</td>
<td>Comprehensive Agricultural Support Programme</td>
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<tr>
<td>CDI</td>
<td>Cooperative Development Initiative</td>
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<tr>
<td>CIPC</td>
<td>Companies and Intellectual Property Commission</td>
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<td>CIPRO</td>
<td>Companies and Intellectual Property Registration Office</td>
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<tr>
<td>CIS</td>
<td>Cooperative Incentive Scheme</td>
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<tr>
<td>CODAS</td>
<td>Cooperative Data Analysis System</td>
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<tr>
<td>CRDP</td>
<td>Comprehensive Rural Development Programme</td>
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<tr>
<td>CPTT</td>
<td>Cooperative Policy Task Team</td>
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<tr>
<td>DAFF</td>
<td>Department of Agriculture, Forestry and Fisheries</td>
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<tr>
<td>DDG</td>
<td>Deputy Director General</td>
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<tr>
<td>DGRV</td>
<td>Deutscher Genossenschafts und Raiffeisenverband (German Cooperative and Raiffeisen Confederation)</td>
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<tr>
<td>DOA</td>
<td>Department of Agriculture</td>
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<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>FCL</td>
<td>Federated Cooperatives Limited</td>
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<tr>
<td>GCMMF</td>
<td>Gujarat Cooperative Milk Marketing Federation</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<tr>
<td>ICA</td>
<td>International Cooperative Alliance</td>
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<td>KZN</td>
<td>Kwazulu Natal</td>
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<td>LIBSA</td>
<td>Limpopo Business Support Agency</td>
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<tr>
<td>MAFISA</td>
<td>Micro Agricultural Finance Institutions of South Africa</td>
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<tr>
<td>MTSF</td>
<td>Medium Term Strategic Framework</td>
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<tr>
<td>NCASA</td>
<td>National Cooperative Association of South Africa</td>
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<td>NCCU</td>
<td>National Consumer Cooperative Union</td>
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<td>NEDLAC</td>
<td>National Economic Development and Labour Council</td>
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<td>NPO</td>
<td>Non Profit Making Organisation</td>
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<td>PFMA</td>
<td>Public Finance Management Act</td>
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<td>SACNET</td>
<td>South African Cooperative Network</td>
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<td>Savings and Credit Cooperative League of South Africa</td>
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<td>SACCO</td>
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<td>SAHCA</td>
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<td>SANACO</td>
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<td>SARS</td>
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<td>SEDA</td>
<td>Small Enterprise Development Agency</td>
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<td>Small Enterprise Finance Agency</td>
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<td>SMME</td>
<td>Small Micro and Medium Enterprise</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<tr>
<td>ZDM</td>
<td>Zululand District Municipality</td>
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<td>VDCS</td>
<td>Village Dairy Cooperative Societies</td>
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THE ROLE OF THE DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES (DAFF) IN STRENGTHENING THE EXISTING SECOND-TIER AGRICULTURAL COOPERATIVES IN SOUTH AFRICA.

CHAPTER ONE

AN INTRODUCTION TO THE DISSERTATION

1.1. INTRODUCTION
Cooperatives have long been recognised to play an important role in society that translates into the improvement of living conditions of their members, particularly the low-income earning cadres of the population and the society at large (Wanyama, Develtere and Pollet, 2009:1). Ortman and King (2007), point out that the South African government is promoting cooperatives as organisations that could help enhance the development of smallholder farmers and other communities in South Africa. The government of the Republic of South Africa believes that cooperatives can, and should, make a bigger contribution to economic prosperity for all South Africans (Mpahlwa, 2008).

As noted by Wanyama, Develtere and Pollet (2008), cooperatives are being presented as a precondition for successful drive against poverty by virtue of the nature of combining business ventures with social virtues. This is an acceptance that cooperatives can be used as a vehicle to improve the lives of communities by creating job opportunities and reducing poverty. In South Africa, cooperatives have been placed at the centre of the Comprehensive Rural Development Programme (CRDP). Pursuant to the need to develop rural communities, a number of efforts and programmes have been designed around cooperative development as a strategy to achieve a better life for all.

This introductory chapter illustrates the reason(s) for pursuing this study. The main thrust of this study is to determine the role which the DAFF should play in support of the second-tier agricultural cooperatives in South Africa. The study will be limited to the Zululand district of the province of KwaZulu-Natal.
To place the problem into context, this chapter begins by providing the background and the rationale for the study. Following the background is the statement of the problem. The significance of the study justifying conducting the research is also provided in this chapter. The research questions, objectives and the limitations of the study are provided for.

To avoid differences in interpretation, some of the words that are frequently used in the study are briefly explained. Finally, an overview of the chapters that constitute the rest of the study is provided.

**1.2. BACKGROUND AND RATIONALE FOR THE STUDY**

South Africa is currently experiencing a period of considerable activities involving a number of institutions and communities across the country around the development of cooperatives. In many instances, these activities are linked to government’s efforts of eradicating poverty and creating income generating opportunities in the various productive sectors of the economy, particularly in the rural areas. These activities are a direct consequence of government’s conviction that cooperatives can assist in the process of accelerating economic empowerment and development for the benefit of the previously disadvantaged majority of the South African population.

Researchers in the field of cooperatives such as Ortman and King (2006), Wanyama, Develtere and Pollet (2008), Van Der Waldt (2005 ) and Phillip (2003) have affirmed government’s position and conviction that in deed cooperatives have a potential to create jobs and reduce poverty. In his research, Van der Waldt (2005) found that in rural communities, cooperatives can play an important role as the economic engines for creating jobs and increasing rural income. According to Ortman and King (2006:5), cooperatives in the agricultural sector have played a pivotal role in the development of the commercial agricultural sector in South Africa as suppliers of farming requisites, marketers of agricultural commodities and providers of services such as grain storage and transport.
In 2002, the International Labour Organization (ILO) passed guidelines to governments on how to go about supporting cooperatives if they were to succeed in a form of ILO Recommendation no 193 (Bircall and Ketilson, 2009). This recommendation recognised the global significant role of cooperatives in facilitating job creation, economic growth and social development (ILO, 2002). In line with this recommendation, South Africa convened the Presidential Growth and Development Summit in 2003. Phillip (2003), state that the summit endorsed special measures to support cooperatives as part of strategies for job creation in South Africa. According to the Government Communications and Information Systems (2003), labour committed to support the development of cooperatives as an important form of Black Economic Empowerment (BEE) and identified procurement as one of the key element in promoting and supporting small enterprises and cooperatives. The recognition of the role of cooperatives as being central to BEE is also shared by Schoeman (2006).

In 2009, the Minister of Rural Development and Land Reform approved the Comprehensive Rural Development Programme (CRDP) as one of the key strategic priority areas of government as outlined in the Medium Term Strategic Framework (MTSF). Within the context of the government’s rural development strategy, the thrust towards cooperative development occupies an important place in the CRDP. According to the CRDP, the drive to agrarian reform will focus on, among others, the establishment of rural business initiatives, agro-industries and cooperatives in villages and small rural towns (Department of Rural Development and Land Reform, 2009).

Cooperatives in South Africa are promoted under the Cooperatives Act No. 14 of 2005. The promulgation of this Act was informed by the Cooperative Development Policy of South Africa developed in 2004. The Cooperatives Act No. 14 of 2005 makes provision for the establishment of nine (9) types of cooperatives. One of these forms is the agricultural cooperatives. According to the Cooperatives Act No. 14 of 2005, an agricultural cooperative is defined as a cooperative that produces, processes or markets agricultural products and supplies agricultural inputs and services to its members. Furthermore, the
Act provides for the registration of three forms of cooperatives, viz. primary, secondary and tertiary. These forms of cooperatives are defined under section 1(1) of the Cooperatives Act No. 14 of 2005 as follows:

A primary cooperative: means a cooperative formed by a minimum of five natural persons whose objective is to provide employment or services to its members and to facilitate community development.

A secondary cooperative: means a cooperative formed by two or more primary cooperatives to provide sectoral services to its members and may include juristic persons.

A tertiary cooperative: means a cooperative whose members are secondary cooperatives and whose objective is to advocate and engage organs of the state, the private sector and stakeholders on behalf of its members and may also be referred to as a cooperative apex.

To illustrate the three tiers of cooperatives, the diagram on the next page illustrates the relationship among the tiers.
According to the Companies and Intellectual Property Commission (2011), the distinction between the forms of cooperatives is primarily the membership of each. At the bottom of the pyramid lie the first-tier cooperatives also known as primary cooperatives. Primary cooperatives are formed by a minimum of five natural persons and their objective is to provide employment or services to its members. This is the tier at which production takes place. In agriculture, cooperatives at a primary level will mainly be involved in the production of agricultural products, supply of inputs and marketing of agricultural products.
In the middle of the pyramid lie the second-tier cooperatives commonly referred to as secondary cooperatives. In terms of the Cooperatives Act (Act No. 91 of 1981), they were referred to as central cooperatives. This form of cooperative is formed by a minimum of two primary cooperatives to provide sectoral services to their members. Usually primary cooperatives of similar trade will, for example, come together to establish the second-tier agricultural cooperative to provide a service that a single cooperative might otherwise not be able to provide. Two or more primary agricultural maize-producing cooperatives will establish a second-tier cooperative to provide them with agro-processing facilities, storage and transportation of their maize or processed products to the market. By having the second-tier cooperative providing sectoral services, primary cooperatives are afforded an opportunity to specialise in what they know best, viz. production and leave the other services to the second-tier cooperative.

At the top of the pyramid is the third-tier cooperatives commonly referred to as tertiary or federal cooperatives. The third-tier cooperatives are formed by two or more second-tier cooperatives and the objective is to play an advocacy and lobbying role. They engage organs of the state, the private sector and other stakeholders on behalf of members and may also be referred to as apex bodies (South Africa, 2005). The primary cooperatives serve as the pillars or foundations of the cooperative movements upon which the second-tier cooperatives are built. Second-tier cooperatives in turn, support the primary cooperatives to ensure that they are able realise economies of scale, create jobs and reduce poverty. The focus of this study is on second-tier (secondary) agricultural cooperatives.

Literature suggests that cooperatives are creating jobs by co-operating with each other through vertical integration resulting in the establishment of second-tier cooperatives. Wanyama, Devletere and Pollet (2009:12) contend that this vertical and consensual integration (bottom-up) usually takes part between cooperatives with similar trade activities. They further claim that in the agricultural sector, this consensual vertical integration has led to the creation of some viable second-tier cooperatives and federations. Tnuva is an
example of a second-tier marketing cooperative in Israel belonging to all moshavin and kibbutzim and is the fourth largest in turnover and provides services such as transportation and storage (Galor, 1997:8). The base line study by the Dti in 2009, shows that the Canadian cooperative sector is strong today because of the formation of second-tier cooperatives and enabling tax regime. Chloupkova (2004.) suggests that the engagement of second-tier cooperatives might be one of the many reasons for a more competitive agricultural sector in Europe.

There are a number of second-tier cooperatives in Africa. The following are examples of second-tier cooperatives in Africa that featured on the 2008 International Cooperative Alliance (ICA) Global300 Cooperative list: Oromia Coffee Farmers Cooperative Union in Ethiopia (100 on the list), Kagera Cooperative Union in Tanzania (114 on the list), Uganda Cooperative Transportation Union in Uganda (146 on the list), Kilimanjaro Native Cooperative Union in Tanzania (ranked 168) and Nyakatonzi Growers Cooperative in Uganda (ranked 206 on the list). The Global300 list is a project initiated by the ICA to illustrate the economic importance of cooperatives by ranking them from 1 to 300. The most recent list was published in 2008. There is very little evidence of successful second-tier cooperatives in South Africa documented. The only documented evidence is that of three sectoral bodies serving as second-tier cooperatives in South Africa. These are the Savings and Credit Cooperative League of South Africa (SACCOL), the South African Housing Cooperative Association (SAHCA) and the South African Federation of Burial Societies (SAFOBS).

The base line study conducted by the Dti in 2009, found that there were 22030 cooperatives registered with the Companies and Intellectual Property Commission (CIPC), of which only 2644 were economically active. Agriculture constituted 29, 71% of the total registered cooperatives. The study surveyed 64 second-tier cooperatives with 25 of them found in the province of KwaZulu-Natal. Of these second-tier cooperatives surveyed, agriculture accounted for 13 cooperatives. A matter of concern is the number of cases of failures (inability to accomplish their objectives set out in their constitutions submitted
for registration with the Registrar of Cooperatives), which according to the base line study stood at 88%.

The latest statistics of cooperatives according to CIPC, indicate that at the end of 2010 (31 December 2010) there were 37402 registered cooperatives. At the end of the first quarter of 2011/12 (end of June 2011), the number of registered cooperatives stood at 44 821 as compared to the 22030 in 2009. The statistics from CIPC only indicate the new registration and deregistration and do not indicate the economic performance or functionality of all the registered cooperatives. The only attempt to do this was in a form of the base line study by the dti in 2009. The table below illustrates the above situation.

<table>
<thead>
<tr>
<th>Custodian of Cooperatives Act</th>
<th>Cipro (Cooperatives Act No. 14 of 2005 from 02 May 2005)</th>
<th>Cipro</th>
<th>Cipro</th>
<th>Cipro</th>
<th>CIPC (end of June 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New registrations</td>
<td>3391</td>
<td>6054</td>
<td>9279</td>
<td>8111</td>
<td>Q1=1921</td>
</tr>
<tr>
<td>Deregistration</td>
<td>157</td>
<td>589</td>
<td>388</td>
<td>549</td>
<td>Q1=162</td>
</tr>
<tr>
<td>Total deregistered</td>
<td>772</td>
<td>1361</td>
<td>1749</td>
<td>2298</td>
<td>Q1=2460</td>
</tr>
<tr>
<td>Total registered</td>
<td>17154</td>
<td>22619</td>
<td>31510</td>
<td>43062</td>
<td>Q1=44821</td>
</tr>
</tbody>
</table>

Table 1.1: Number of cooperatives registered and de-registered between 2007 and the first quarter of 2011/12 supplied by the Companies and Intellectual Property Commission (CIPC).
Cooperative success is about producing volumes. Munkner (1995) speaks of what he terms “cooperative dilemma”. He argues that cooperatives with a small number of members happen to be strong in terms of governance because they have fewer prospects for conflicts and group dynamics, but cannot produce volumes. On the other hand, for cooperatives to be economically viable, they need to produce volumes of a certain size. In most cases, this can be achieved when membership is large and their combined volume of products is also large to sustain markets. Logically smaller cooperatives with smaller volumes often have difficulties in accessing various services like working markets, finance, capacity building and in most instances, it is almost difficult for them to engage in value-adding opportunities.

The majority of cooperatives in South Africa face these challenges. It then becomes logical for these cooperatives to explore the ICA cooperative principle six (6), namely “cooperation among cooperatives”. There are seven principles of cooperatives that include voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives and concern for community (ICA, 1995). Cooperatives can cooperate with other cooperatives through vertical integration by joining together and forming second-tier cooperatives, which have and are proving to be successful in many countries.

Polman (2006) suggests that to be successful, cooperatives of similar activities should consider clustering and integrating together. This will enable them to up-scale their business activities and enhance their competitiveness. Prakash (2004) adds that cooperatives need to follow what he terms an “integrated approach” which requires them to provide a package of services to members, including extension, credit, inputs, guidance and supervision.

As compared to other countries, cooperatives in South Africa at all levels (primary, secondary and tertiary) are very weak with very few success stories (dti:2009). This was also confirmed by Ntuli (2010) in a presentation to the
Select Committee on Trade and International Relations when she said that “most cooperatives are primary start-ups and are very weak”. Despite the base line study indicating that there were 13 second-tier agricultural cooperatives surveyed, there is no documented evidence of any successful secondary agricultural cooperative. If the argument by Chloupkova (2004.), that the competitive agricultural sector in Europe might be attributed to the engagement of second-tier cooperatives is anything to go by, there is therefore a need to consider strengthening the existing secondary agricultural cooperatives in South Africa to ensure that they are able to provide the essential services needed by their primary members.

1.3. PROBLEM STATEMENT

Birchall and Ketilson (2009:33) are of the view that governments should identify a focal point for cooperatives and provide focused assistance to the sector. They further propose that governments should recognise the importance of second and third-tier cooperative organisations and federations in the development of the cooperative sector. In addition to this recognition, governments should also provide technical and financial assistance to these organisations. Their arguments are based on the assumption that among others, second-tier cooperatives are more attuned to their members’ needs and can effectively provide them with specifically designed support. They further indicate that second and third-tiers can offer some stability to smaller cooperatives during tough times and are better at coordinating outside funding and delivering to the first-tier cooperatives that require assistance.

Based on the background above, it is evident that strong second-tier cooperatives are critical in providing support services to their members. Despite claims of the existence of 64 second-tier agricultural cooperatives, the dti base line study could not find evidence of any successful second-tier agricultural cooperative in South Africa. This might be one of the reasons why the country has very few success stories in agricultural cooperatives. The base line study cites three sectoral cooperatives that operate as second-tier cooperatives providing services to their member cooperatives viz. SACCOL,
SAHCA and SAFOBS. Göler von Ravensburg (2009) also identified Yebo Cooperative as a cooperative union classified as a second-tier cooperative serving its member cooperatives in the provinces. Yebo is a Zulu word meaning “yes”.

If agricultural cooperatives are to create the much needed jobs and reduce poverty in the rural areas as encapsulated by the CRDP, consideration should be made to strengthen the existing second-tier agricultural cooperatives to enable them to support their primary member cooperatives. The Directorate: Cooperatives and Enterprise Development was created within the DAFF to ensure that agricultural cooperatives of all forms are promoted, supported and developed. In consideration of the background provided above, the most important problem to be addressed by this study therefore is:

**What is the role of the Department of Agriculture, Forestry and Fisheries in strengthening existing second-tier agricultural cooperatives in South Africa?**

### 1.4. RESEARCH QUESTIONS

In order to answer the above question, the following sub-questions need to be solved first:

- What role is played by the DAFF in promoting and supporting second-tier agricultural cooperatives?
- What are the specific services provided by existing second-tier agricultural cooperatives and ideally what services should they provide to their members?
- Do existing second-tier agricultural cooperatives have the capacity to support their primary members?
- How are these existing second-tier agricultural cooperatives structured or organised?
1.5. HYPOTHESIS

If the problem is the centre of any research project, then the hypothesis must be the beacon that directs towards the resolution of the problem. According to DePoy and Gitlin (2005:80), a hypothesis is defined as a testable statement that indicates what the researcher expects to find, based on the theory and level of knowledge in the literature. Leedy (1989: 60), argues that a hypothesis is not an answer that needs to be proven or disproved, rather, it is a tentative proposition provided as a possible explanation as to why the problem exists. A hypothesis is stated in such way that it will either be verified or falsified by the research process. The hypothesis for this study is posited as follows:

**Direct and focused support and assistance to second-tier agricultural cooperatives by the Department of Agriculture, Forestry and Fisheries will strengthen this level of cooperatives and ensure that they are able to provide support services to their members.**

1.6. OBJECTIVES OF THE STUDY

From the research questions and the hypothesis, follows the research objectives which are closely interlinked with the research questions in order to solve the research problem. The primary objective of this study is to determine and describe the role of the DAFF in strengthening the existing second-tier cooperatives in South Africa. The study is limited to the Zululand District of the province of KwaZulu-Natal.

The following are the specific objectives of this study:

- To establish the role played by the DAFF in promoting and supporting second-tier agricultural cooperatives.
To identify the specific services provided by existing second-tier agricultural cooperatives and ideally what services should they provide to their members.

To determine the capacity level of existing second-tier agricultural cooperatives to support their primary members.

To establish the current organisation or structuring (by commodity or locality) of the existing second-tier agricultural cooperatives.

1.7. SIGNIFICANCE OF THE RESEARCH

This study investigated the role of the DAFF in strengthening the existing second-tier agricultural cooperatives to ensure that they are able to effectively provide support services to their member primary cooperatives. Through this study, it is anticipated that the DAFF will be guided by the findings and recommendations in its quest to promote and support existing and even new second-tier agricultural cooperatives.

The results might also lead to the development of policy directives and structuring of programmes focusing on providing targeted support to second-tier agricultural cooperatives, taking into consideration the significant role they play in ensuring a competitive agricultural cooperative sector. Primary agricultural cooperatives aspiring to cooperate with others through the establishment of second-tier cooperatives might also be guided by the findings of this study on the best model to adopt.

1.8. DELINEATION OF THE STUDY

This study is of a limited scope. Being of an empirical nature, it is confined to the geographic context of the District of Zululand in the province of KwaZulu-Natal. The geographical boundaries of the Zululand District are Amajuba District to the north west, Gert Sibande District in Mpumalanga to the north, the Kingdom of Swaziland to the north, uMkhanyakude District to the east, uMzinyathi District to the south east and uThungulu District to the south. The study will only focus on all the ten existing second-tier agricultural
cooperatives recognised by the district agricultural office of Zululand and registered with CIPC. Zululand is one of nodal district areas identified by government because of its above average key poverty indicators. The chairpersons of these cooperatives were targeted to participate in the study. In their absence, their nominated representatives took part in the study.

1.9. RESEARCH METHODOLOGY

This study explored the role of the DAFF in strengthening the existing second-tier agricultural cooperatives in South Africa. This section describes the research design (plan) and the methods applied in collecting and analysing data.

1.9.1. LITERATURE REVIEW

Auriacombe (2001) states that a literature review offers a synthesis of what has already been written or not written on that topic yet, or what is written in such a way that it is conceptually or methodologically inadequate. Mouton (2001) says that before embarking on a study, the first aim should be to find out what has been done in the field of study and this could be achieved by starting with a review of the existing scholarship or available pool of knowledge to see how other scholars have investigated the research problem one is interested in. Creswell (2009) indicates that reviewing literature helps researchers to limit the scope of their inquiry.

A profound literature review was conducted to learn about what has been written on the topic of this study. Relevant books on cooperatives, appropriate journal articles, cooperative legislations, government documents, cooperative movements’ publications, as well as websites were searched. The aim was to learn about work that might have been done around the topic and to gain an adequate understanding on the state of second-tier cooperatives in other countries in comparison to South Africa.
1.9.2. RESEARCH DESIGN

Before discussing the choice of research design and approaches that were followed by this study, it is necessary to first review the definition of the concept “research design” as discussed by various scholars. Kweit and Kweit (as cited in Leedy, 1997), define research design as the strategy, the plan, and the structure of conducting a research project. According to Depoy and Gitlin (2005), a design is defined as the plan or blueprint that specifies and structures the action processes of collecting, analysing and reporting data to answer the research question. Like Depoy and Gitlin, Auriacombe (2001) also defines research design as a plan or blueprint on how one plans to conduct a research. It focuses on the end product as to what kind of study is being planned and what kind of result is aimed at.

Within the context of this study, a research design can be described as a plan that will be followed by this study to answer the research questions. The plan will indicate the specific procedures that will be used to obtain empirical evidence. Mouton (2001), further points out that a research design should answer the key question of which type of study will be undertaken in order to provide acceptable answers to the research problems or questions. In this regard, Auriacombe (2001) states that the research problem or question serves as the point of departure.

This study was primarily intended to be an exploratory study on the role of the DAFF in promoting and supporting second-tier agricultural cooperatives in South Africa. The key question to be answered was “what is the role of the DAFF in promoting and supporting second-tier agricultural cooperatives in South Africa?”. Thani (2009) points out that research methods in Public Administration can be broadly classified into two design categories, namely empirical and non-empirical designs. This is an empirical study and it used exploratory questions. Creswell (2009) uses three research approaches under
empirical studies, namely qualitative, quantitative and mixed methods. Essentially the study is descriptive in nature and employed both qualitative and quantitative research approaches (mixed methods).

A qualitative approach is defined as one in which the inquirer often makes knowledge claims based on constructivist perspectives or advocacy/participatory perspective or both (Creswell, 2009). As Auriacombe (2001) puts it, when phrases such as “to explore” or “to understand” are used, they suggest that a qualitative approach may be more appropriate. Qualitative researchers start with more general questions, collect an extensive amount of verbal data from a smaller number of participants, and present their findings with words/descriptions that are intended to accurately reflect the situation under study (Leedy, 1997).

According to Brynard and Hanekom (1997), a qualitative approach to research refers to the use of descriptive data which is generally a reflection of people’s own written and/or spoken words and attitudes. These authors further point out that an indispensable qualification or condition for a qualitative approach is a commitment to see the world from the participant’s point of view. Devos (1998: 45) argues that for a qualitative researcher, the only reality is that constructed by the individuals involved in the research situation and the researcher needs to report these realities faithfully and to rely on voices and interpretations of information.

On the other hand quantitative research method is defined by Leedy (1997:104) as “an inquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers and analysed with statistical procedures, in order to determine whether the predictive generalisation of the theory holds true”. According to Taylor (2005:91), the major purpose of a quantitative research is to make a valid and objective description on phenomena. Quantitative research refers to research that is concerned with quantities and measurements (Biggam, 2008:86). The scientific research that deals mainly with quantifiable data tends to be grouped under the heading quantitative research (Biggam, 2008:86). The
number crunching, according to Biggam (2008:86), can be more complicated than just gaining simple quantitative information because it can involve calculations.

Taylor (2005:91) is of the view that quantitative research methods cannot address the full range of problems in the behavioural sciences, as well as in the physical sciences. The two main problems with qualitative research methods according to Taylor (2005:91) are:

- complete control and objectivity cannot be successfully achieved in the behavioural sciences;
- data gathering instruments do not frequently answer all of the questions posed by the researcher in the behavioural sciences.

Premised on the above problems, Taylor (2005) is of the view that quantitative research methods cannot successfully evaluate the full range of human behaviour. It is in this context that this study will employ mixed methods approach.

1.9.3. THE POPULATION

There were ten (10) registered second-tier agricultural cooperatives operating within the district of Zululand in the province of KwaZulu-Natal when the study was conducted. These cooperatives constituted the population of this study and participated in the study. The district of Zululand is constituted by five local municipalities, each with a local agricultural office. The local agricultural offices are managed by local agricultural managers under whose jurisdiction the existing second-tier agricultural cooperatives operate. These local managers and their district manager responded to questionnaires aimed at obtaining their views on the role of the DAFF in strengthening the existing second-tier agricultural cooperatives in their district.
Finally senior management in the Directorate: Cooperatives and Enterprise Development of the DAFF was interviewed to obtain their views on the role of the department and programmes and model(s) it adopts in supporting cooperatives, particularly the second-tier agricultural cooperatives.

1.9.4. THE SAMPLING PROCEDURE

According to DePoy and Gitlin (2005), the main purpose of sampling is to select a subgroup that accurately represents the population and the intention is to be able to draw accurate conclusions about the population by studying a smaller group of the population thereof. For the results of the study sample to be generalised, there has to be an accurate representation of the population from which the sample is drawn. This was a census study and as such, there was no sampling as all the ten (10) existing second-tier agricultural cooperatives and the local agricultural managers in the district participated in the study. This is because the population was very small such that it was possible to conduct research on all of them.

1.9.5. DATA COLLECTION

As Behr (1988) points out, the choice of instruments to collect data is a very important part of any research project. DePoy and Gitlin (2005) describe the objectives of collecting information as: to obtain data that is both relevant and sufficient to answer a research question. This study employed two instruments to collect data, viz. questionnaires and interviews.

1.9.5.1. QUESTIONNAIRE

Leedy (2001) states that sometimes data is buried deep within the minds, attitudes, feelings or reactions of men and women. He identifies the questionnaire as the commonplace instrument for observing data beyond the physical reach of the observer. Questionnaires are defined as written instruments and may be administered face-to-face, by proxy, through the mail or over the internet (DePoy and Gitlin: 2005). Behr (1988) defines a
questionnaire as a document normally distributed through the post to be filled out by the respondent himself in his own time. In this study, data was collected using structured open-ended questionnaires for the participating second-tier agricultural cooperatives as well as the district and local agricultural managers. The questionnaires to secondary cooperatives were administered by the Zululand District cooperative coordinator assisted by local office cooperative coordinators.

The open-ended form of questionnaire enables the respondent to state his case freely and possibly give reasons as well (Behr, 1988). He further indicates that an open-ended questionnaire evokes a fuller and richer response and probably probes deeper. However, a striking challenge with this type of questionnaire arises with the tabulations and summarising of the responses because it becomes time consuming. Enough time was set aside to analyse the data collected.

1.9.5.2. INTERVIEWS

In addition to using a questionnaire, interviews were used to collect data in this study. As Behr (1988) indicates, the interview is a direct method of obtaining information in a face-to-face situation. One advantage of employing an interview to collect data is that the interviewer has the opportunity of giving a full and detailed explanation of the purpose of the study to the respondent. DePoy and Gitlin (2005) say that interviews are conducted through verbal communication and may occur face-to-face, by telephone or through virtual communication and may either be structured or unstructured.

According to Brynard and Hanekom (1997), an interview as a data collection method allows the researcher to explain his or her questions if the respondents are not clear of what is being asked and also allow the researcher to probe deeper following answers from respondents. This study used unstructured interviews to obtain the views of senior management in the cooperatives and enterprise development component of the DAFF on the role of the department in strengthening second-tier cooperatives in the sector.
Although the questions for the interviews were developed in advance, the interviewer had an opportunity to deviate and ask further questions for clarity. The interviews were conducted by the researcher.

**1.9.6. DATA ANALYSIS**

Mouton (2001:108) states that the analysis involves “breaking up” of data into manageable themes, patterns, trends and relationships. In this study, the collected data was analysed by means of tables, graphs and charts using Microsoft Word. The graphs and tables were used to compare different variables on the questionnaires and responses discussed to show what participants perceive the role of the DAFF to be. Quantitative data was analysed using the Statistical Package for Social Sciences (SPSS).

**1.10. ETHICAL CONSIDERATIONS**

Mouton (2001) states that ethical issues arise from our interaction with other people, other beings and the environment, especially at the point where there is potential or actual conflict of interest. Three main issues were considered here. These issues include ethics, confidentiality and anonymity. According to Black (2002), ethics aim at protecting all persons involved in the research while confidentiality means no one or no institution should be identifiable from the research project, unless there is good reason to reveal institutional origins and permission has been secured. Finally, anonymity according to Black (2002), means allowing responses to be submitted anonymously with no identification on the questionnaire.

Strict ethical principles were adhered to throughout the study. Respondents participated in the research out of their own free will and were informed thoroughly and truthfully. This information was covered in a covering letter accompanying the questionnaires. The covering letter further informed respondents of the objectives of the study, as well as the anonymity and confidentiality of the responses. No unauthorised access to completed
questionnaires was allowed. No attribution was made to responses and respondents remained strictly anonymous.

1.11. DEFINITION OF TERMS

As Creswell (2009) commented, a rule of thumb is to define a term if there is likelihood that readers will not know its meaning. Central to this study are the concepts of “DAFF” and “second-tier agricultural cooperative”. Each of these terms is open to significant differences in interpretation. Therefore, it seemed appropriate to introduce and define these terms as the researcher intended using them extensively in this study.

<table>
<thead>
<tr>
<th>DAFF</th>
<th>The DAFF is one of the government departments responsible for overseeing and supporting South Africa’s agricultural, forestry and fisheries sector, as well as ensuring access to sufficient, safe and nutritious food by the country’s population.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Second-tier agricultural cooperative</td>
<td>A second-tier agricultural cooperative refers to a cooperative that is formed by two or more primary agricultural cooperatives to provide sectoral services to its members, and may include juristic persons (South Africa, 2005). In other countries cooperatives at this level are referred to as central, regional purchasing organisations or cooperative unions.</td>
</tr>
</tbody>
</table>

Table 1.2. Definition of terms
1.12. CHAPTER OUTLINE

After completion of this research, the material collected was integrated and coordinated. The information was divided into six chapters as follows:

CHAPTER ONE: INTRODUCTION

This chapter provides a general introduction to the entire study. It includes the background of the study (in order to provide context), the statement of the problem, research questions, objectives and the value of the research. Furthermore, the research methods, data collection and analysis techniques as well as the ethical considerations are discussed in this chapter.

CHAPTER TWO: LITERATURE REVIEW AND DESCRIPTION OF THE STUDY AREA

This chapter is divided into three sections. To contextualise the study, the first section deals with the cooperative concept, theory, history and legislative framework. It focuses on defining a cooperative and describes some of the most pertinent concepts of cooperation such as the underlying cooperative principles in terms of the ICA and the values and ethics of cooperatives. The history of the cooperative legislative framework in support of cooperative development in South Africa is explored alongside the main reasons for poor performance of cooperatives in the country. The section also deals with the role of cooperatives in economic development.

The second section provides a brief description of the study area to ensure that the reader understands the locus of the study well and is able to relate the results to the study area. In conclusion, section three of this chapter locates the cooperative development function within the DAFF.
CHAPTER THREE: SECOND-TIER COOPERATIVES: GLOBAL PERSPECTIVE

In this chapter, the rationale for establishing second-tier cooperatives, in particular, agricultural second-tier cooperatives is explored. Some countries where second-tier cooperatives have played a significant role in economic development were identified and reasons for their successes explored as well. Finally, the role played by government in their development, if any, is also looked at.

CHAPTER FOUR: RESEARCH METHODOLOGY

This chapter discusses in detail the research methodology and design used in the study. It gives account of data collection processes, including gaining access to the subjects, data collection techniques and procedures followed. The instruments used to analyse data and the rationale behind the selection thereof as well as the procedures followed to analyse data are discussed in detail in this chapter.

CHAPTER FIVE: PRESENTATION AND DISCUSSION OF RESULTS

This chapter documents the results from the field work by describing and summarising the main results obtained using tables and graphs. With reference to the research questions, the main trends and patterns in the data are also discussed.

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

This chapter draws conclusions based on the findings of the study and makes recommendations emanating from these findings. Opportunities for further research are highlighted in this chapter.
CHAPTER TWO

LITERATURE REVIEW: UNDERSTANDING THE COOPERATIVE CONCEPT

2.1. INTRODUCTION

Chloupkova (2002) mentions that the existence of cooperatives, particularly in the agricultural sector, is driven by an economic force for survival. He further points out that a farmer is always “small” in comparison with his trading partners and by joining forces, farmers tend to achieve bargaining strength which then becomes the main reason for forming cooperatives. This chapter presents a literature review relating to the cooperative concept as a business model. This is done by introducing a statement on cooperative identity highlighting the definition of a cooperative, the underlying principles and the cooperative values and ethics.

A brief history of cooperatives focusing on their origin, both globally and locally is also looked at. This chapter further looks at the legislative framework prior the union of South Africa from 1910 to date. The location of the cooperative function within the DAFF will be explored to better understand the role of the department in promoting and supporting cooperatives in the agricultural sector. This chapter concludes by providing a brief background of the study area focusing on the socio-economic conditions in the area and the role that can be played by cooperatives in enhancing the local economic development of the area.

2.2. DEFINING A COOPERATIVE, PRINCIPLES AND VALUES, AS WELL AS A BRIEF OVERVIEW OF THE HISTORY OF COOPERATIVES

To understand the cooperative concept this chapter begins by providing definitions of the word “cooperation” by various authors. A cooperative is
defined along with the principles and values. This section concludes by providing a historical overview of cooperatives, both locally and globally.

2.2.1. Defining a cooperative.

When reflecting on the origin and development of cooperatives, Van Niekerk (1988) argues that one must first dwell on the concept of cooperation. Cooperation refers to working together towards a common goal (www.thefreedictionary.com/cooperation). It is also referred to as the association of persons for a common benefit (www.merriam-webster.com/dictionary/cooperation). The common denominator in the two definitions is common goal or common benefit. This implies that the objective of cooperation is to achieve a common goal or benefit. Chukwu (1990) looks at cooperation from two perspectives (broader and narrow sense). In the broader sense, cooperation refers to any form of two or more persons working together to achieve some aim or aims. In the narrow sense, the term cooperation refers to the activities of a specific form or organisation or a cooperative.

Harper (1992) states that cooperation implies people doing things together, not because they are forced, or because they have no alternative, but because they believe that this is the best way to organise themselves for a given purpose. He further points out that people may cooperate as a result of the nature of the work either being too difficult or physical for one person to accomplish. In this case, it may require several people to have to work together. According to Sargent (1982), cooperation occurs in a wide range of contexts and in response to a vast array of goals and needs. In this context, cooperation takes place because there is a need or goal that has to be achieved and this goal or need can only be better achieved through working together.

The need for cooperation according to Madan (2007) arose with the advancement of civilisation when human wants began to multiply beyond individual capabilities. This necessitated interdependence and people could
no longer produce for the satisfaction of their personal needs but in larger quantities in order to exchange the surplus produce with others. This means that people had to cooperate because of their inability to satisfy their growing multiple wants.

Since the beginning of the human society, individuals have found advantage in working together and helping one another throughout the world (Alima, 2008). According to Schwettmann (2011), the traditional systems of cooperation existed in Africa and remain vibrant to date. Stokvels and burial societies are cited here as some of the forms of traditional systems of cooperation. The other traditional way of cooperation in South Africa according to Schwettmann (2011) is called “letsema” which is the mutual work-sharing scheme for large, labour intensive ventures such as land preparations or crop harvesting commonly found in many parts of the African continent. African farmers have a long tradition of performing certain productive activities as groups rather than as individuals (Hussi et al., 1993).

The rationale for group work or cooperation is to ensure that no one in a particular community becomes deprived, or that no one becomes exceedingly better off than the rest of the group (Hussi et al., 1993). These systems are prevalent in the rural areas and in the informal economy. Harper’s definition of the term cooperative would be the most appropriate within the context of defining what a cooperative is. Cooperatives are established to address common challenges which would otherwise not be possible to address, if they were addressed by a single person.

According to Cobia (1988), a cooperative is a user-owned and user-controlled business that distributes benefits on the basis of usage. The user-owner principle is a key element that distinguishes cooperatives from other forms of business enterprises. Simply put, in a cooperative, benefits are distributed to users/owners based on their usage of cooperative services commonly known as patronage. Similar to this definition, Thompson (2007) looks at a cooperative as a business that is owned and controlled by the people who use it. Again the key words are owners and users.
Roy (1976: 6) defines a cooperative as “a business voluntarily organised, operating at a cost, which is owned, capitalised and controlled by member-patrons as users, sharing risks and benefits proportional to their participation”. Again at least two key elements can be noticed. One being member-patrons as users and the other being risks and benefits shared in proportion to participation. The most widely and generally adopted definition of a cooperative is the one provided by the International Cooperative Alliance (ICA) which is a world body on cooperatives.

According to the ICA (1995), a cooperative is defined as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Literature presents numerous definitions of the cooperative concept. From this definition, an affirmation is made of the distinct institutional characteristics of cooperatives that have been upheld by world bodies such as the International Cooperative Alliance (ICA) and International Labour Organisation (ILO). A clear distinction is also made between cooperatives and other forms of business enterprises. The table below illustrates the institutional characteristics of cooperatives from the International Cooperative Association’s definition:

<table>
<thead>
<tr>
<th>Key element</th>
<th>Explanation of what it means</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autonomous</td>
<td>Cooperatives are self-governing community-based organisations, independent of any external control and interference.</td>
</tr>
<tr>
<td>Association of persons</td>
<td>No one person can successfully cooperate with himself. Such cooperation will have to take place between two or even more persons. Cooperatives can therefore not be formed by one person.</td>
</tr>
<tr>
<td>United voluntary</td>
<td>Harper’s definition of cooperation implies people doing things together, not because they are forced, or because they have no alternative, but because they</td>
</tr>
</tbody>
</table>
believe that this is the best way to organise themselves for a given purpose. People joining cooperatives do so voluntarily, guided by the perceived benefits.

<table>
<thead>
<tr>
<th>Common economic, social and cultural needs</th>
<th>The common bond which brings all members together is a need to be satisfied, which could either be economic, social or cultural.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Democratic</td>
<td>Owned by members and controlled by elected representatives.</td>
</tr>
</tbody>
</table>

Table 2.1.: Institutional Characteristics of Cooperatives
Adapted from the dti: A user guide to the regulations for Cooperatives Act, 2005.

2.2.2. Cooperative principles

According to the Webster’s New World Dictionary of the American Language, a principle is defined as a fundamental truth, law, doctrine, or motivating force upon which others are based (http://gunston.gmu.edu/708/whatprin.htm). The free encyclopaedia (Wikipedia) defines a principle as a law or rule that has to be, or usually is to be followed, or can be desirably followed, or is an inevitable consequence of something, such as the laws observed in nature or the way that a system is constructed (http://en.wikipedia.org/wiki/Principle). According to Cobia (1989) a principle is a governing law of conduct, a general or fundamental truth, a comprehensive or fundamental law. It means that these principles of cooperatives are a law or set of laws governing the conduct of members of cooperatives in their daily engagements on behalf of the cooperatives.

Cobia (1989) further adds that abiding by the definition and principles of cooperatives should indeed preserve the essential objectiveness and uniqueness of the cooperative form of business. In line with the ILO recommendation 193 of 2002, which provides guidelines on the promotion of
cooperatives, countries are gradually moving closer to enforcing compliance with these principles of cooperatives. Recognition to these principles was not an issue with the 1981 Cooperatives Act, but the 2005 Cooperatives Act clearly recognises the importance of these principles in line with the recommendation.

Over and above the cooperative institutional characteristics discussed in the foregoing section, the ICA adopted the so called “Statement on Cooperative Identity” at the Congress and General Assembly in 1995 which clearly outlines the universally accepted principles of cooperatives and the values thereof. There are seven principles of cooperatives. The table that follows illustrates these seven principles as contained in the Regulations for Cooperatives: A user guide to the regulations under the Cooperatives Act, 2005, published by the Department of Trade and Industry in 2008.

Table 2.2.: Cooperative Principles

<table>
<thead>
<tr>
<th>Principle</th>
<th>What it mean or means</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Voluntary and open membership</td>
<td>Anybody who is able to use the services of a cooperative and is willing to accept responsibilities may become a member of a cooperative.</td>
</tr>
<tr>
<td>2. Democratic member control</td>
<td>One member, one vote (at least at primary level), each person participates in making decisions for their cooperative.</td>
</tr>
<tr>
<td>3. Member economic participation</td>
<td>Members contribute equally towards the capital of the cooperative.</td>
</tr>
<tr>
<td>4. Autonomy and independence</td>
<td>Cooperatives are controlled by their members. Even if they enter into agreements with other organisations, they must make sure that their members keep control.</td>
</tr>
<tr>
<td>5. Education, training and information</td>
<td>Cooperatives must provide education and training for their members to help develop their skills.</td>
</tr>
<tr>
<td>6. Cooperation among cooperatives</td>
<td>The spirit of cooperation should be applied to other cooperatives by willingly sharing ideas, knowledge and experience.</td>
</tr>
<tr>
<td>7. Concern for communities</td>
<td>Cooperatives should contribute to the sustainable development of their communities to achieve a better life for all.</td>
</tr>
</tbody>
</table>
2.2.3. Cooperative values and ethics

The statement on cooperative identity is not complete without mentioning the cooperative values. Values are traits or qualities that are considered worthwhile and represent one’s highest priorities and deeply held driving forces (http://humanresources.about.com/od/success/qt/values_s7.htm). Values are also defined as those things that really matter to each of us, the ideas and beliefs we hold as special (http://pinetreeweb.com/values.htm). Cooperatives conform to the true values of self help, self responsibility, democracy, equality, equity and solidarity (ICA, 1995). In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others (ICA, 1995).

2.3. A brief history of cooperatives

The section that follows provides the historical overview of cooperatives focusing on their origins and development internationally and locally. It is important to discuss the origins and evolutions of cooperatives so as to gain better understanding of what they are and what shaped the current forms of cooperatives as they are found today.

2.3.1. Internationally

Thompson (2007), states that the first formal cooperative appeared during the industrial revolution when people moved from their farms to the cities and had to rely on stores for their own food. Benjamin Franklin established the first cooperative to insure houses against fire in Philadelphia in 1752 to be precise (Van Niekerk, 1988). Thompson (2007) maintained that this cooperative still existed as late as 2007. Although this cooperative was known to be the first to be established, Ortmann and King (2006) indicate that the development that had the greatest impact on determining the agricultural cooperatives’ unique operating principles was the formation of the Rochdale Society of Equitable Pioneers.
Thompson (2007) shares this sentiment and further points out that the Rochdale Society of Equitable Pioneers was credited as the first cooperative in England. What distinguished it from other cooperatives before, was the development of a set of principles that governed the way Rochdale Cooperative operated. These principles have been modified throughout the years until the current ICA principles of cooperatives as pioneered in 1995 and became universally accepted. The first Rochdale principles according to Thompson (2007) are open membership, one man-one vote, cash trading, membership education, political and religious neutrality, no unusual risk assumption, limited interest on stock, goods sold at regular retail prices, limitation on the number of shares owned and net margins distributed according to patronage.

Another important development after the Rochdale Society, according to Ortman and King (2006), was the establishment of the first Savings and Credit Cooperatives in Germany in 1864 by Friedrich Wilhelm Raiffeisen. The German cooperative and Raiffeisen Confederation commonly known as the DGRV is credited after him. The DGRV is an apex and auditing association of cooperatives in Germany. In Finland, cooperatives date back to 1899 when the Pellervo Society was established with Hannes Gebbard regarded as the farther of cooperation and cooperative movement in Finland (Van Niekerk, 1988:5).

Owing to the weak conditions in which the people of Netherlands found themselves in, a government commission tasked to investigate the resultant causes found that lack of cooperation and agricultural organisation was one of the reasons for the critical situations at the time (Van Niekerk, 1988:7). This saw the first purchasing cooperatives being established in 1877, followed by a processing and a credit supply cooperative in 1886 and 1892, respectively (Van Niekerk, 1988:7). Since then cooperatives have evolved throughout the world to become a force to be reckoned with, playing a major role in the national economies of developing countries.
Globally, the ICA estimates that over 800 million people are members of cooperatives, which together employ over 100 million people (ICA, 2011). A survey by the ICA found that in 2008, cooperatives were responsible for an aggregate turnover of 1,1 trillion USD which is the size of the tenth economy of the world and is nearly the size of the Spanish economy (www.global300.coop). The 2010 report indicates growth in turnover to 1, 6 trillion USD and is estimated as the equivalent of the world’s ninth economy (www.global300.coop). The Global300 list is published by the ICA to highlight the important role which cooperative enterprises play in national and international economies. The list provides the top 300 cooperatives in developed and developing countries.

This project was initiated in response to continuous underestimation of the significance of cooperatives. The Global300 Cooperatives report provides financial and other data which illustrates that cooperatives are successful businesses, important employers and contribute in real terms to economic stability and sustainable development. Revenue is used as a criterion to rank cooperatives and the US Dollar is used as the standard currency. Other currencies are converted into US Dollars. The Cooperative Bank of Kenya featured 43rd on the Global300 list of the developing countries in 2008. Cooperatives from Kenya, Ethiopia, Uganda and Tanzania are dominating the developing list. There are no cooperatives from South Africa on the list.

2.3.2. Locally

Literature suggests that cooperatives in Africa did not originate out of people’s initiatives, interest or motivation. As reported by Wanyama, Develtere and Pollet (2009), that the origin of cooperatives in Africa can be traced to the colonial period when colonial government, particularly Britain, directed the formation of cooperatives for the purposes of achieving their own interest and not those of the co-operators. One of the examples cited by Wanyama, Develtere and Pollet (2009) is that of the British using cooperative development in their settler colonies to protect the interest of their white farmers. In doing so, the sole aim was to enhance productivity so as to
generate income enabling them to run the affairs of their administration and export cash crops required for fuel industrialisation to Britain.

Jara and Satgar (2008) corroborate the argument by Wanyama, Develtere and Pollet, and further mention that the history of cooperative development in South Africa is, like in the rest of Africa, linked to colonial apartheid planning. This is so because the traces of cooperative development in South Africa are said to be found in the four provinces created by the Union of South Africa in 1910 (Van Niekerk, 1988). According to Van Niekerk (1988:19), the first cooperative to be established was a consumer cooperative in Pietermaritzburg in 1892 followed by the National Cooperatives Dairies Limited in 1900. These cooperatives were established in the former province of Natal. Due to the absence of a cooperative law, these cooperatives were registered under the Companies Act which Sikuka (2010) claim was unsuitable because cooperatives found it difficult to comply with its stringent legal provisions.

According to Van Niekerk (1988), on his arrival from Ireland in 1905, Hannon was appointed Superintendent of Agriculture and instructed to establish cooperatives in the Cape Colony. He was convinced that the only salvation for the farmer laid in cooperation. When agricultural cooperatives established by Hannon began to fail, a select committee was constituted to investigate the causes of failures of the agricultural cooperatives (Van Niekerk, 1988). Hannon then outlined three most important factors for the prevention of cooperatives failures which included the following:

- every member of a cooperative should realise fully his individual obligation to the scheme which he is part of, and learn to bear the share of the burden;
- a cooperative association is a business concern and should not be influenced by sentiment in any way;
- a benevolent government should be appealed to when local effort has demonstrated its faith financially in the scheme which is being promoted.
In the Transvaal Province, Stilling-Anderson was similarly appointed as the Superintendent of Agriculture and upon his arrival in Pretoria in 1907, he used the same enthusiasm and methods as Hannon in the Cape to establish cooperatives (Van Niekerk, 1988:21). Van Niekerk (1988) further points out that it was Stilling-Anderson who soon realised that there was no cooperative law protecting and regulating the interest of cooperatives. In the Free State Dairy, cooperatives were the first to be developed and registered under the Companies Act in the absence of a Cooperatives Act.

Amin and Bernstein (1995) point out that historically, white cooperatives played a significant role in the South African economy. They further indicate that in 1993, there were about 250 of these cooperatives with a total of R12,7 billion and a total turnover of R22,5 billion. This is a further indication of the role played by cooperatives in national economies.

2.4. Cooperative Legislative Framework (1908-2011)

Prior the Union of South Africa, cooperatives in the colonies (provinces) were registered under the Companies Act (Sikuka, 2010). The first cooperatives Act was passed in 1908 by Transvaal as the Cooperatives Societies Act of 1908. With the establishment of the Union of South Africa the cooperatives in the Orange Free State were placed under the control of the Transvaal Registrar of Cooperatives, in terms of the Transvaal Cooperatives Society Act of 1908 (Sikuka, 2010). After the Union of South African states, Sikuka (2010) mentions that the Land and Agricultural Bank of South Africa established in 1912, became key to cooperative development through its financing programme for agricultural cooperatives. What follows is a sequence of cooperative legislations until the enactment of the current Cooperatives Act No. 14 of 2005.
2.4.1. The Cooperative Societies Act, Act No. 28 of 1922

The first cooperative legislation after the union (the Cooperatives Societies Act No. 28 of 1922) was passed in July 1922 and came into operation in August of the same year and repealed and consolidated all previous pieces of cooperative legislation (Van Niekerk, 1988). Furthermore, Van Niekerk (1988) indicates that this Act brought about extensive revival of the cooperatives and gave them a new pattern of national recognition with the Registrar playing the role of discouraging the establishment of too many cooperatives with overlapping objectives. Sikuka (2010) points out that this legislation gave the Registrar of cooperatives the opportunity to treat all cooperatives in a uniform manner and steer them in the same direction.

2.4.2. The Cooperatives Societies Amendment Act, Act No 38 of 1925

In an effort to use cooperatives as single channel marketing instruments for certain commodities, the Cooperatives Society Act 28 of 1922 was amended in 1925. This according to Van Niekerk (1988) was done to strengthen the bargaining power of cooperatives and give them full control over certain product in the interest of all farmers. According to the amendment, if 75 percent of producers of a certain product within a certain area are members of an agricultural cooperative responsible for marketing of that product and deliver 75 percent of the total production, the Minister (of Agriculture in this regard) may decide that all producers of that particular product within that specific area must deliver the product to the cooperative for marketing. This provision was applicable to specific products like ostrich and ostrich products, cotton, lucerne, hay and tobacco.

The conditions (such as making cooperatives single marketing channels for certain products) under which cooperatives functioned under the 1922 legislation in a way forced farmers in certain commodities to join cooperatives if they were to sell their products (Van Niekerk, 1988). In Africa similar conditions prevailed. In countries like Kenya, Uganda and Tanzania cooperatives were made sole agents of statutory marketing boards.
established to manage the exports of coffee, cotton and pyrethrum (Wanyama, Develtere and Pollet, 2009). This situation created monopolistic cooperatives in the specified crops and farmers involved in the production of these crops had no choice but to join these cooperatives if they were to sell their produce. In addition to this, Van Niekerk (1988) says that agricultural credit schemes supported by the state were also administered by these cooperatives-yet another incentive or coercive condition for farmers to join cooperatives.

2.4.3. The Cooperatives Societies Act, Act No 29 of 1939

The Cooperatives Societies Act 28 of 1922 gave way to the Cooperative Societies Act 29 of 1939 which was passed in September 1939 following the recommendations of the Commission of Inquiry into Cooperatives and Agricultural Credit in 1934 (Sikuka, 2010). This Act still focused on agricultural activities (Ortman and King, 2007). An important provision of the Act was the introduction of the Special Farmers Cooperatives as an addition to agricultural cooperative at all the three levels (primary, central and federal). The special farmers' cooperatives would under the 1939 Act have the right to deal with non-members and accept persons other than farmers as members with the approval of the Minister. This Act, According to Van Niekerk (1988) formed the framework and broader basis and contents of the Cooperatives Act of 1981.

2.4.4. The Cooperatives Act, Act No 91 of 1981

In October 1981 the Cooperatives Act 91 of 1981 was promulgated. The purpose of the Act was to provide for the formation, incorporation, functioning, winding up and dissolution of cooperatives, for the appointment of the Registrar of Cooperatives and for incidental matters (South Africa, 1981:201). The Act made provision for registration of three types of cooperatives viz. agricultural, special farmers and trading cooperatives. As Amin and Bernstein (1996) points out, the 1981 Cooperatives Act was an enabling act however, cooperatives still enjoyed certain privileges in particular financial ones under
other legislations specifically the Land Bank Act and Income Tax Act. Since the passing of the Cooperatives Act 91 of 1981 there have been a number of amendments made to this act. This includes the Cooperatives Amendment Act No. 42 of 1985, the Cooperatives Amendment Act No. 80 of 1987, the Cooperatives Amendment Act No. 38 of 1988 and the Cooperatives Amendment Act No. 37 of 1993.

The most important changes to the Cooperatives Act No. 91 of 1981 were enacted under Amendment Act 37 of 1993 (Amin and Bernstein, 1996). This amendment enabled cooperatives to extend the scope of their business activities by various means, including:

- Extending business with non-members from 5% to 49% of the total business;
- Converting themselves (transferring their assets) to companies or close corporations; and
- Trading in land.

The main focus of the Cooperatives Act 91 of 1981 was on the promotion and support of agricultural cooperatives. Non-agricultural cooperatives were classified as trading cooperatives. Sikuka (2010) indicates that commercial agriculture cooperatives which were predominantly white enjoyed much support from the state in a form of subsidies and tax incentives among others as opposed to the developing cooperatives that were predominantly black. This is probably where parallelism can be drawn in cooperative development between successful agricultural commercial cooperatives and unsuccessful cooperatives in the developing sector.

With the new democratic dispensation in South Africa, inequality was viewed as one of the main challenges faced by the ruling party (Sikuka, 2010). With a view of ensuring inclusive promotion and support of cooperatives, a process of reviewing the Cooperatives Act 91 of 1981 was initiated. According to Ortman and King (2007) the Cooperative Act 91 of 1981 was considered unsuitable for the following reasons:
• The focus was too much on large, commercial agricultural cooperatives only;
• The definition of cooperative was inadequate;
• Compliance with cooperative principles was not explicitly required from cooperatives;
• The registration process was complicated; and
• Members’ interests were not sufficiently protected.

The process of reviewing the 1981 Cooperatives Act culminated in the promulgation of the Cooperatives Act No. 14 of 2005 that took into account the above shortcomings.

2.4.5. The Cooperatives Act, Act No 14 of 2005

In August 2005 the Cooperatives Act 14 of 2005 was signed into law effectively repealing its predecessor, the Cooperatives Act 91 of 1981. In the preamble, the Cooperatives Act 14 of 2005 recognises the following:

• the cooperative values of self help, self reliance, self-responsibility, democracy, equality and social responsibility;
• that a viable, autonomous, self reliant and self sustaining cooperative movement can play a major role in the economic and social development of the Republic of South Africa, in particular by creating employment, generating income, facilitating broad-based black economic empowerment and eradicating poverty;
• that the South African economy will benefit from increasing the number and variety of viable sustainable economic enterprises;
• that government is committed to providing a supportive legal environment to enable cooperatives to develop and flourish; and

The Act also aims to:

• ensure that international cooperative principles are recognised and implemented in the Republic of South Africa;
• enable cooperatives to register and acquire a legal status separate from their members; and
• facilitate the provision of targeted support for emerging cooperatives, particularly those owned by women and black people.

The purpose of the Act is clearly articulated under section 2 of the Act which includes among other but not limited to the following:

• promote the development of sustainable cooperatives that comply with cooperative principles, thereby increasing the number and variety of viable economic enterprises operating in the formal economy;
• encourage persons and groups who subscribe to values of self-reliance, self-help, and who choose to work together in a democratically controlled enterprise;
• to register cooperatives in terms of this Act, enable such enterprises to register and acquire a legal status separate from their members; and
• promote equity and greater participation by black persons, especially those in rural areas, women, persons with disability and youth in the formation of, and management of cooperatives.

In living in accordance with the spirit of the Statement on Cooperative Identity in particular the principles of cooperatives, section 3 of the Act provides conditions under which cooperatives will be deemed to be in compliance with the principles. Sections 85 and 86 of the Act makes provision for the establishment of the Cooperatives Advisory Board whose function is to advise the Minister (Minister of Trade and Industry in this instance) generally and make recommendations with regard to among others policy for the development of cooperatives in the Republic, the application of any of the provision of this Act or any other law on matters affecting cooperatives and any decision the Minister is required to take in terms of this Act.
2.5. The role of cooperatives in economic development

Before looking at the contribution of cooperatives to economy it would worthwhile to first examine the forms of ownership as postulated by Mintzberg cited by Fairbairn (1996). Mintzberg argue that no one form of ownership can triumph on its own and there has to be a balance. Four forms of ownership have been identified, viz:

- Privately owned organisations either by few individuals or many shareholders: purely private companies registered under the Companies Act by the Companies and Intellectual Property Commission (CIPC) in South Africa;
- Cooperatively owned organisations controlled by suppliers, customers or employees (typical cooperative enterprises registered under the Cooperatives Act by CIPC in South Africa as well);
- Non-owned organisations essentially not for profit often referred to as Non governmental Organisations (Section 21 Companies registered under the Companies Act by CIPC and the Non Profit Making Organisations (NPO’s) registered by the Department of Social Development under the Non Profit Making Organisation Act; and
- Finally public organisations essentially referred to as State Owned Entities Incorporated under the Companies Act as Public Companies by CIPC.

Fairbairn (1996:4) states that all the four types of organisations work together to make an economy successful and each one makes a distinctive contribution and performs functions the other might not perform as well or not perform at all. The fact that in 1993, 250 cooperatives had a total turnover of R22,5 billion (Amin and Bernstein, 1996) is a clear indication that cooperatives had and still have a role to play in economic development of countries. Together with the other three forms of ownership, cooperatives in South Africa and elsewhere in the world continue to make a contribution to economic development. Summing up the collective function of the four types of ownership Fairbairn (1996: 4) puts it that the engine of the economy is
driven by four cylinders pumping in a coordinated way. Although each of the form of ownership is regulated by different regulation(s), they each have a specific role to play in economic development.

Mcloughlin (2011) indicates that the United Nations has acknowledged important direct and indirect impacts that cooperatives have on socio-economic development by way of promoting and supporting entrepreneurial development, creating productive employment, raising income and helping to reduce poverty. Furthermore, agricultural cooperatives play an important role in food production and distribution, and in supporting long term food security (Mcloughlin, 2011). The International Cooperative Alliance has long recognised the role played by cooperatives in economic development and the Global300 list is testimony to this. In 2009, cooperative businesses in the United States controlled over 3 trillion dollars in assets, generated over 654 billion dollars in revenue, employed over 2 million people and distributed nearly 79 billion dollars in income to users/owners (http://www.farmdocdaily.illinois.edu/2011/11critical_issues_for_agricultur.html).

Sexton and Iskow (nd) argue that often cooperatives are misunderstood partly because of the people’s desire to impart social or political connotations to cooperatives. These confusions create perceptions that cooperatives are mere social enterprises not for profit. Similarly, the confusion leads to people thinking that cooperative cooperatives are organisations used to further political objectives of governments. The ICA played a significant role in crafting the statement on cooperative identity that clearly defines cooperatives as privately owned enterprises belonging to its members providing specific services to the members.

The overriding significance of cooperatives according to Sexton and Iskow (nd) is that cooperatives are economic organisations and as such they have to offer economic benefits to members or owners. However what distinguishes cooperatives from other forms of business ownership is the model of
ownership. They are owned and controlled by members and benefit the same members and not outside investors.

The economic importance of cooperatives has been echoed by Van Der Walt (2005) in a paper titled “The resuscitation of the Cooperative sector in South Africa”. He suggests that cooperatives can offer various economic solutions. Furthermore, he argues that the benefit of collective action not only contributes to lower purchasing prices and operating costs but marketing cooperatives can achieve a more sustainable supply of products. In this way cooperatives ensure that members are able to accumulate own resources enabling them to survive independently from external support and live to its true values of ICA styled types of cooperatives.

The ICA Beijing Cooperative Ministers Conference in 1999 culminated in the crafting of the so called “Beijing Joint Declaration” (Fischer, 2002:2). This declaration illustrates the following conditions under which cooperatives will thrive:

- Cooperatives contribute their best to society when they are true to their nature as autonomous, member-controlled institutions, and when they remain true to their values and principles (autonomy and independence);
- The potential of cooperatives is best realised when their distinct character is recognised by law (legal existence);
- Cooperatives can achieve their objectives, if they are recognised for what they are and what they can do (recognition);
- Cooperatives succeed like any other enterprises in a competitive environment where they are allowed to operate on equal footing with other enterprises (fair playing field);
- Government must set the legal boundaries, but cooperatives can and should regulate themselves from within (self-regulation);
- Cooperatives belong to their members whose shares are the basic capital, but in today’s competitive world, they must seek additional
resources without threatening their cooperative character (capitalisation); and

- Development assistance can be important for cooperative growth, most effectively when this partnership recognises the cooperative essence and is operationalised within a framework of networking (official development assistance).

Clearly the above indicates an important role played by cooperatives in economic development. The Global300 list further affirms the economic importance of cooperatives globally. The ICA General Assembly has declared 2012 as the year of cooperatives in recognition of the role they play in national economies. However, cooperatives are not without challenges. The following section identifies and discusses some of the limitations faced by cooperatives.

2.6. Factors leading to the collapse/failure of cooperatives

Prakash (2004) list some of the general challenges faced by cooperatives as the high level of competition, lack of professional and qualified managers, shortage of credit, lack of warehousing facilities, transportation and lack of communication. In addition, a study conducted by Van Der Walt (2005) in Limpopo province, South Africa, indicates that among others poor management, lack of training, conflict among members and lack of funds appear to be important contributory factors to cooperative failures. Furthermore lack of understanding of the purpose of a cooperative, how it functions and the rights and responsibilities of members were also found to be contributory factors to the demise of a number of cooperatives.

In her study, Dlamini (2010) found that there were three key challenges faced by smallholder farmers. These challenges are markets, skills and financial constraints. Jara and Satgar (2008) supports Dlamini’s findings on markets and finance being challenges facing cooperatives and add that weak intra-governmental coordination can also frustrate cooperatives. In addition to these challenges Jara and Satgar (2008) further claim that cooperatives in South Africa face similar challenges to those faced by other small enterprises...
which includes poor infrastructure, poor transport systems, lack of access to freight, high cost of raw materials and lack of access to technical support in outlying areas. McLoughlin (2011) identified four factors as constraints for cooperatives. These factors are lack of liquidity, lack of capacity, elite capture and male domination and inability by cooperatives to scale up their activities and expand market access.

Based on the above, the key constraints or challenges faced by cooperatives can be summed up as follows:

2.6.1. Lack of access to finance

Lack of liquidity is one of the key constraints faced by cooperatives. Jara and Satgar (2008) claim that international experience shows that no cooperative movement can survive without finance. They further state that much as the South African government promotes and support cooperatives, the funding system is inadequate. The dti is offering financial support through the Cooperative Incentive Scheme (CIS), Small Enterprise Development Agency (SEDA) and the National Empowerment Fund. In Limpopo the Limpopo Business Support Agency (LIBSA) is supporting cooperatives financially and the Department of Economic Development in KwaZulu-Natal through Ithala Bank is also supporting cooperatives financially. Within the agricultural sector the DAFF is providing financial support to cooperatives through programmes such as the Comprehensive Agricultural Support Programme (CASP) and the Micro Agricultural Finance Institutions of South Africa (MAFISA) in a form of production inputs loans.

McLoughlin (2011) suggests some strategies to deal with the challenge of access to finance. Which include providing revolving loan funds, offering bank guarantees by government, equity capital to increase capitalization in cooperatives particularly financial services cooperatives, engaging commercial banks to increase their willingness to lend to cooperatives on good terms and in some instances providing low interest loans to cooperatives.
One element often overlooked when people talk about lack of access to finance is the issue of savings. Cooperatives are encouraged to embark on savings mobilisation leading to internal lending. Within the DAFF, the Directorate: Development Finance Coordination has developed the savings mobilisation strategy in 2010 and guidelines on mobilising savings as a tool to guide farmers mobilise savings amongst themselves. These documents have been presented to the components/units responsible for mobilisation of farmers within the provincial departments of agriculture and currently to individual cooperatives in provinces.

2.6.2. Lack of capacity in cooperatives

This is another key constraint facing cooperatives. Dlamini (2010) suggests that cooperatives have not been able to strengthen their business operations mainly due to inadequate training support. According to the DAFF (2011, 16), of the 836 cooperatives captured on the Cooperative Data Analysis System (CODAS), 9 have capacity in business management, 187 in financial management, 115 in corporate governance, 162 in marketing and 95 in planning and controls. Prakash (2004) points out that lack of professional and qualified managers is also a challenge faced by cooperatives.

Of the 836 agricultural cooperatives captured on CODAS, only 174 (21%) have managers. In terms of their educational levels, 21 managers have education of between grade 0-7, 141 managers have between grade 8-12 and only 12 have a post matric education (DAFF, 2011,30). Membership in cooperatives is predominantly constituted by the elderly (over 65 years of age) who have the will to produce but lack the energy to do so. This continuously weakens management, governance and business skills in cooperatives. Veerakumaran (2007) mentions that cooperatives face problems of attracting fresh professionals.

A study titled “Cooperatives in the eyes of Professionals-in-the-Making” by Rangarajan and Rangarajan as cited by Veerakumaran (2007) concluded that
only a small proportion of students pursuing professional courses are willing to join cooperatives due to the negative image of the sector and the low financial rewards (salaries) offered by cooperatives. The study was based on 240 students of professional courses in Bangalore and Mysore in India (Balaji and Reddy, 1999: 203). According to the study, students willing to join cooperatives were mainly males with rural background pursuing studies in veterinary sciences, engineering and dairy technology. Among others good salary, job satisfaction, conducive working environment and opportunities for career growth were cited as expectations by these students in the survey.

The current cooperatives Act 14 of 2005 is under review to include among others the establishment of the Cooperative Development Agency which will deal with the issues of lack of skills in cooperatives. The University of Zululand in collaboration with the Department of Economic Development in Kwazulu-Natal is offering formal courses in cooperatives. In support of this mission the province has also roped in cooperatives experts from Kenya to bolster this initiative.

2.6.3. Inability to access markets and agro-processing opportunities

This is another key constraint stifling cooperative development and prevents smallholder cooperatives to become viable and sustainable enterprises. Dlamini (2010) state that market constraints in the context of smallholder agricultural cooperatives are mainly due to the characteristics of smallholders and the area they are located. The challenges are mainly due to poor infrastructure that characterises rural areas and limits farmers’ access to information. Access to markets and agro-processing opportunities by smallholder farmer cooperatives was also found to be a limiting factor by (DAFF, 2011). These cooperatives are unable to secure tangible markets as a result of among others small volumes of produce and poor quality.

Many cooperatives struggle to scale up their activities and expand market access mainly due to weak capacity, poor access to finance and lack of market information and linkages. As Dlamini (2010) found out, farmers in rural
areas have little or no access to telecommunications such as mobile phones, internet and emails. As a result of this communication between smallholder cooperatives and potential buyers is usually very poor as farmers cannot negotiate business and prices without having to go directly to the market.

The next section provides an overview of the location of the cooperative function within the DAFF.

2.7. The Cooperative function within the Department of Agriculture, Forestry and Fisheries

Until 2004 the cooperative function resided within the then Department of Agriculture (DoA). A process of reviewing the Cooperatives Act 91 of 1981 was initiated by DoA and culminated in the preparation of first draft cooperative Bill in 2001 (Lyne and Collins, 2008). After Cabinet approval the cooperative function was transferred from the DoA to the dti and subsequent to this a cooperative development unit was establish within the dti. The role of this unit according to Ortman and King (2007) is to enhance the development of cooperatives by reviewing policies and strategies, coordinating government institutions and donor activities and promoting the cooperative concept. The dti took over the review of the cooperatives Act 91 of 1981 from DoA and gazetted a draft cooperative Bill in 2003. Subsequently Cooperatives Act 14 of 2005 promulgated in 2005.

The dti is the central coordinating institution for cooperative development across the sectors and other departments of government are responsible for sectoral development of cooperatives within their legislative mandate. As, such the DAFF is responsible for development of cooperatives within the agriculture, forestry and fisheries sector. Within the DAFF, the Directorate: Cooperatives and Enterprise Development is responsible for cooperative development in the sector. The figure on the next page is an abridged structure of the DAFF showing the location of the Directorate of Cooperatives and Enterprise Development.
The above structure shows the Director General as the accounting officer of the organisation at the top. Below the Director General is what is termed ‘branches’ headed by Deputy Directors General (DDG). There are nine branches within the DAFF. Branches are made up of Chief Directorates which are constituted by directorates. The Directorates are further divided into sub-directorates. The cooperative development function resides within the Directorate: Cooperatives and Enterprise Development under the Chief Directorate: Cooperatives and Enterprise Development. The branch is Trade, Marketing and Economic Development.

The aim of the Directorate: Cooperatives and Enterprise Development is to ensure the development and implementation of policies, strategies,
programmes and initiatives to support the development of cooperatives and other agri-enterprises. The creation of a directorate responsible for cooperative development is an illustration of the commitment of the DAFF to promote and support cooperatives in the sector. In her speech at the First International Cooperative Conference held in Durban in 2009, Xingwana (the then Minister of Agriculture), acknowledged the role of the DAFF in promoting private initiatives such as the formation of cooperatives through provision of on-and off-farm infrastructure, training and capacity building, knowledge and information management, access to markets, credit research and regulatory services to reduce transaction cost. This again is indicative of the drive by the DAFF to promote and support agricultural cooperatives.

2.8. Brief description of the study area

This section begins by presenting a map indicating the geographic location of the Zululand District and its borders. The composition of the district in terms of local municipalities will also be indicated. The section will conclude by providing a brief overview of the socio-economic conditions of the district and the role that agricultural cooperatives can play in enhancing the local economic development of the district and contributing to food security.
2.8.1. Composition of the district

Zululand is one of the 11 district municipalities of the province of KwaZulu-Natal with its seat in Ulundi. Situated in the northern natal and covering about 14 808 km², the district is constituted by five local municipalities of Ulundi, Nongoma, Abaqulusi, eDumbe and uPhongolo. It is predominantly rural with commercial farmland interspersed by protected areas, towns and dense to scattered rural settlements within traditional authority areas.
2.8.2. Socio-economic profile

Up to early 1900’s, the economy of the district depended mainly on coal mining and agriculture. By 1990 the district experienced economic decline as a result of the effects of open market policy on coal and agriculture (ZDM Water Services Authority, 2010). It is said by the year 2000 all large scale coal mining operations had ceased to operate with the exception of the Zululand Anthracite Colliery in Vryheid. The informal sector, mainly petty commodity trading, has grown considerably over the last decade, but is constrained by the slump in the primary and secondary sectors of the formal economy (ZDM Water Services Authority, 2010). In this period of decline economic activities the potential for economic growth lies in agriculture and tourism.

Zululand is one of the districts declared nodal areas by the government of South Africa due to it’s rather above average key poverty indicators. Cooperatives have been identified as instruments to drive economic development of the district particularly agriculture in the rural areas of the district.

The statement by Chloupkova (2002) that a farmer will always be “small” in comparison with his trading partners has relevance in the context of smallholder farmer cooperatives particularly in the rural areas. This is where a need for cooperation among smallholder farmers becomes even more important. The most common traditional way of cooperation in rural areas is visible in the collective preparation and ploughing of the land as well as harvesting which is commonly known as ‘letsema’, (Hussi et al, 1991). It is these types of cooperation that has resulted in the modern way of cooperation around the cooperative concept through which farmers are able to collectively source inputs, market their products, add value to their products and facilitate accessibility to finance and agro-processing opportunities.

The history of cooperatives dates back to the 16th century. Throughout the centuries the definition and principles of cooperatives have evolved over time.
until the current one adopted by the ICA at the congress and general assembly in 1995. From this era came the so called “ICA styled cooperatives” which simply mean that cooperatives have to comply with the accepted cooperatives principles as entrenched in the statement of cooperative identity of the ICA.

ILO recommendation on the promotion of cooperatives provides guidelines to governments on how to promote cooperatives. The first recommendation was adopted in 1966 and revised in 2002. The drafting of the Cooperatives Act 14 of 2005 was in line with the ILO recommendation and the ICA statement on cooperative identity. The Cooperatives Act 14 of 2005 was written to address the skewed provisions of the previous cooperative laws which mainly catered for the commercial agriculture which was predominantly white.

2.9. Conclusion

The evolution of cooperatives as far back as the 17th century is presented in this chapter. In South Africa cooperatives existed even before the union in 1910. In the absence of a Cooperative legislation the Companies Act regulated the establishment and management of cooperatives. The legislative framework for cooperatives up to the Cooperatives Act 91 of 1981 clearly indicates biasness towards cooperatives of agriculture in nature and government support was also designed to assist these types of cooperatives.

The dawn of the new constitutional order in South Africa saw a shift in focus towards inclusive promotion and development of cooperatives across the sectors. This culminated in the promulgation of the Cooperatives Act 14 of 2005. The important role played cooperatives in economic development has been illustrated in this chapter. As a way of proving the critiques of the cooperative movement wrong, the Global300 list of cooperatives (both global and developing) was initiated by the ICA. The list provides the names of the top 300 cooperatives in terms of turnover using US Dollars as the common currency.
The key challenges faced by cooperatives throughout the world centres around lack of access to finance, lack of capacity (skills) and lack of access to markets and agro-processing opportunities. The commitment of the DAFF in promoting and supporting cooperatives in the sector is illustrated by the creation of a Cooperatives and Enterprise Development Directorate. The functions of the directorate of cooperatives mainly centre around the development and implementation of norms and standards, policies, strategies and programmes for cooperatives and enterprise development. This chapter concludes by providing a brief background of the study area, Zululand District. It provides the rational for the choice of the study area as one of the nodal districts in the country.

The next chapter provides the global perspective of second-tier agricultural cooperatives.
CHAPTER 3

SECOND-TIER COOPERATIVES: GLOBAL PERSPECTIVE

3.1. Introduction

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national and regional international structures as noted by the International Cooperative Alliance (ICA, 1995). This is in fulfilment of the sixth principle of cooperatives “cooperation among cooperatives”. This principle encourages vertical and horizontal networking of cooperatives to enable them to extend to members services that single cooperatives may otherwise not be able to provide (Wanyama, Develtere and Pollet, 2009:11). This cooperation among cooperatives can either take place horizontally or vertically.

Horizontally cooperatives are afforded space to network independently with others with similar interest and objectives while vertically cooperatives integrate their services by affiliating to a federated or apex organisation. This type of cooperation (vertical integration) takes place between cooperatives involved in similar trade or activities. Wanyama, Develtere and Pollet (2009: 12) mention that the bottom-up consensual integration in the agricultural sector has in some countries created some viable second and even third-tier cooperatives.

As observed by Chloupkova (2004:1), the competitive agricultural sector in Europe might be attributed to vertical integration of cooperative activities at primary level resulting in formation of second-tier cooperatives. In South Africa, vertical and horizontal integration of cooperatives to enhance their competitiveness is one of the measurable indicators to monitor and evaluate the implementation of the Integrated Strategy on the promotion of Cooperatives (dti, 2011: 13).
This chapter focuses on the second-tier form of cooperatives. This form of cooperative will be discussed along with the rationale for establishing them. The role of second-tier cooperatives will also be discussed. Some viable second-tier cooperatives in both developing and developed countries are identified and discussed to show the importance of this level of cooperatives.

3.2. Defining a second-tier cooperative

Cooperatives can be formed and registered either as primary, secondary or tertiary cooperatives. The forms or levels of cooperatives vary from country to country. Some countries have a two-tier structure while others have three to four-tier structures. Agricultural cooperative movement in the sub saharan african countries is organised in a three or four –tier structure (Hussi et al., 1993:48).

Cooperatives in Botswana for example are organised in a three-tier pyramidal structure with secondary cooperatives in the middle supporting primary cooperatives by providing them with loans and other support services (Sekele and Lekorwe, 2010:6). Second-tier cooperatives are referred to as unions or regional purchasing organisations in other countries. In Botswana they are referred to as regional cooperatives. Like Botswana, South Africa follow a three-tier structure as prescribed by section 4(1) of the Cooperatives Act 14 of 2005.

A secondary cooperative is a cooperative in which all members are primary cooperatives (www://en.wikipedia.org/wiki/cooperative_federation). Section 1(1) of the Cooperatives Act 14 of 2005 defines a secondary cooperative as a cooperative that is formed by two or more primary cooperatives to provide sectoral services to its members, and may include juristic persons. Primary cooperatives with similar objectives will come together to form a secondary cooperative to serve their needs for centralised services such as bulk procurement and supply of inputs, marketing and transport, training and accounting services.
In most African countries second-tier cooperatives are referred to as cooperative unions and usually operate at district levels. In some parts of Israel they are known as regional purchasing organisations. In terms of the Cooperatives Act 14 of 2005 in South Africa they are known as secondary cooperatives. The repealed Cooperatives Act 91 of 1981 referred to them as central cooperatives and could be classified as either central agricultural, central trading or central special farmers cooperatives.

3.3. Rationale for establishing second-tier cooperatives

In his study on revitalising market-oriented agriculture cooperatives in Ethiopia, Tesfaye (2005: 8) mention that productivity of smallholder agriculture lingers at the subsistence level primarily due to unreliable supply and unaffordable prices of farm inputs and poor rural marketing infrastructure. As a result of these, rural income and livelihood becomes threatened resulting in poverty looming large. Tesfaye (2005:8) further states that it is under these conditions that cooperatives become indispensable institutions to address these structural problems.

People form cooperatives at primary level to achieve (through joint efforts) those objectives that they are unable to achieve by themselves. On the other hand second-tier cooperatives are established by primary cooperatives to provide goods and services which the primaries cannot procure more efficiently and at a lower cost through other channels (Hussi et al., 1993)

The potentially useful role played by secondary cooperatives in supporting the development of grassroots organisations, including their member primary cooperatives has been recognised by Hussi et al., (1993) but cautioned that support to these second-tier cooperatives should be based on proper analysis of the actual needs of the primary cooperatives and of the prospects of viability and sustainability of the second-tier cooperative. Furthermore, the establishment of second-tier cooperatives should be demand-driven and be based on the needs of the primary cooperatives (Hussi et al., 1993). Prakash (2002: 7) cites the existence of a well integrated vertical structures of
cooperatives providing support to base level cooperatives in order to enable them to effectively and efficiently service their individual members as one of the conditions for the success of agricultural cooperatives.

Smaller primary cooperatives would earn a large share of the end price by performing a wide range of functions that includes processing, packaging and labelling, storage, advertising and collective marketing of their produce (Hussie et al., 1991). Often smaller cooperatives at primary level are unable to secure reliable and effective markets for their products due to their inability to produce the volumes necessary to sustain these markets.

To overcome this challenge several small producer cooperatives would consider integrating vertically and establish a second-tier cooperative for the purposes of collective marketing of their produce. As part of the roadmap to successful agricultural cooperative development Polman (2006) suggested that agricultural cooperatives in different commodities should be clustered and integrated to enable them up-scale their business activities, enhance competitiveness in domestic and international markets.

In the case of livestock farmers in Ethiopia, Veerakumaran (2007: 54) mention that primary cooperatives lack adequate capital base, cattle base and other resources to establish full-fledged export market system. Cooperative unions were then established to provide services such as slaughtering facilities, branding, packaging and quality control. Primary cooperatives will pool their livestock together and transport them to slaughtering facilities owned by the second-tier cooperative.

The structures available at primary cooperatives to facilitate the pooling of farmers’ livestock is the weighing and transportation facilities (see figure 3.1. on the next page). By pooling livestock together farmers are adding value to their products through vertical integration. As stated by Boučková (2002: 169) adding value to primary agricultural products was and still is one of the most prosperous way of cooperative business.
In terms of the structure below, individual farmers ready to sell their livestock will forward their animals to the primary cooperative. The animals will be weighed and a farmer paid based on the weight in accordance with the price fixed by the second-tier cooperative. The animals will then be transported to slaughtering facilities. Secondary cooperatives own the slaughtering facilities and are also responsible for branding, packaging and quality control of the meat. Once the meat has been branded, packaged and quality controlled it is then sent to the cooperative federation for exporting. The level of a cooperative is determined by the nature of service provided by the cooperative to its members.

Figure 3.1. An example of an organisational structure for meat marketing in Ethiopia (Veerakumaran, 2007)
Cooperative unions operating in the coffee areas in Kenya provide an example of a relatively second-tier cooperative structure. As reported by Hussi et al., (1993:50) these structures (second-tier cooperatives) provide the primary cooperatives and their members a range of support services such as savings and credit facilities, bulk procurement of farm inputs, accounting and management support services as well as staff training and member education. As observed by Satgar (1999), secod-tier cooperatives contribute towards development by providing members with the advantage of economies of scale, linking small scale producers to the national economy by supplying inputs and serving as a market for their products and contributing to rural stability.

Generally the establishment of second-tier cooperatives is needs driven. These cooperatives are established to provide support services to primary members enabling them to effectively and efficiently provide services to their individual members. These types of services they provide would other wise not be cost effective if they were to be procured by primary cooperatives themselves.

3.4. Global perspective of second-tier cooperatives

The next section looks at the global perspective of second-tier cooperatives and discusses some successful second-tier cooperatives in both developing and developed countries. The primary objective of this section is to understand the important role played by second-tier cooperatives and the specific support services they provide to their primary members.

3.4.1. The Kaira District Milk Cooperative Union (Commonly known as the AMUL –Anand Milk Union Limited): INDIA

India is a country about one third of the size of the United States of America in the Asian continent that covers an area of about 3.29 million square kilometres (www.state.gov/r/pa/ei/bgn/3454.htm). India is home to 17.5 % of
the world’s population and in 2011 the population was estimated at 1.210 billion people. It is the second most populated country after China. India is a federal state made up of 28 provinces and seven union territories. In terms of the economy India’s Gross Domestic Product (GDP) in 2009 was estimated at 1.095 trillion dollars with a real growth rate estimated at 6.5 %. Agriculture contributes 17% of the GDP with products like wheat, rice, coarse grains, oilseeds, sugar, cotton, and tea. India has basically an agrarian economy with 72% of its total population residing in rural areas (Das, Palai and Das, 2006:2).

Das, Palai and Das (2006:1) believe that the cooperative system in India has the capacity and potential to neutralise the adverse effects emerging from the process of globalisation. The history of cooperatives in India can be traced back to the 18th century when the Raiffersen Model of German agricultural credit cooperatives was introduced in India. Cooperatives in India are regulated by the Multi State Cooperatives Societies Act of 2002. The enactment of this law followed recommendations of an expert group constituted by the Federal government of India in 1990 to review cooperative legislation in India (Das, Palai and Das, 2006:3)

In terms of structure, cooperatives in India are federal in character and pyramidal in structure (Chandy, n.d). At a state level cooperatives follow a three –tier approach with primary cooperatives at village level, cooperative unions at district level and cooperative federation at state level. In some instances there are cooperative federations at a national level as well. The figure that follows on the next page illustrates the four-tier cooperative structure in the milk industry in India according to Chandy (n.d).
Figure 3.2. Four-tier cooperative structure in the milk industry in India
(Chandy, nd)

National Cooperative Dairy Federation
(National level)

↓

State Cooperative Dairy Federation
(State level)

↓

District/Regional Milk Supply Union
(District level)

↓

Primary Milk Producers Cooperatives or
Primary Village Cooperative Society
(Base level)

For the purposes of this study, the cooperative structure in the Indian milk industry is used to identify the role of the second-tier cooperatives in terms of the type of support services they provide to their primary member cooperatives known as primary village cooperative societies and the role they play in economic development. The Kaira District Milk Cooperative Union or AMUL (Anand Milk Union Limited) cooperative dairy marketing system or Model as it is commonly known, forms the basis of this discussion.

Cooperatives in India were introduced into the dairy sector with the launch of the so called “Operation Flood” in 1970 which was a strategy aimed at increasing milk production, augmenting rural income and providing fair prices for consumers (Rajendran and Mohanty, 2004:36). The marketing of milk in India follows the so called “AMUL cooperative dairy marketing system or Model”. This system is sometimes referred to as the Anand pattern since it started in the town of Anand. AMUL is a brand that was established by the
Kaira District Cooperative Milk Producers’ Union in 1955. The cooperative is located in the town of Anand which forms part of the Kaira District in the state of Gujarat (Satgar, 1999). Amul follow a three tier structure with primary cooperatives at village level, cooperative unions at district level and an apex at state level (Gujarat).

Like any other second-tier cooperative whose establishment is necessitated by the needs of its members, Kaira District Cooperative Milk Producers’ Union was established in 1946 in response to exploitation of marginal milk producers in the city of Anand by traders or agents of existing dairies (Chandra and Tirupati, 2002:5). Village milk producers had to travel long distances to deliver their milk to the only available dairy then in Anand and often their milk went sour as they had to physically carry individual containers. Kaira District Cooperative Milk Producers’ Union was therefore established to collect and process milk within the Kaira District which led to the establishment of the first modern dairy of the Kaira Union and became known as the AMUL dairy following the brand of the Union (Chandra and Tirupati, 2002:5).

Village societies have milk collection centres where farmers take their milk in the morning and evening. According to Bowonder, Prasad and Kotla (nd:6) there are Automatic Milk Collection Unit Systems at the village cooperatives that enhances transparency of transaction between the farmer and the cooperative. Information related to members, fat content, volume of milk procured and the amount payable to the member is accessible on the system in a form of a data base. The village cooperative societies have bulk coolers in which milk from individual producers is stored. Chakravarty (nd) indicates that milk is collected from the primary societies by trucks of tankers to the secondary cooperatives where it is weighed and tested for fat content and then pasteurised.

These village societies also provide services such as cattle feed, artificial insemination and veterinary services. The secondary cooperatives have dairy facilities which converts milk collected from village societies into liquid milk for sale. The milk is also processed into various milk products as per the product
milk provided by the state level federation which is responsible for marketing products of all dairies in a particular state (Chakravarty, nd). In cases where village societies are unable to provide cattle feed, artificial insemination and veterinary services cost effectively, secondary cooperatives will step in and provide them.

All the district cooperative unions in the state of Gujarat, including Kaira District Union federated into a state level apex organisation known as the Gujarat Cooperative Milk Marketing Federation (GCMMF) to provide marketing and distribution networks. In terms of section 1 (1) of the South African Cooperatives Act 14 of 2005 the objectives of a cooperative apex is to advocate and engage organs of state, the private sector and other stakeholders on behalf of its members. Similarly, Gujarat Cooperative Milk Marketing Federation as an apex organisation is an institution created by milk producers themselves to primarily safeguard their interest economically and socially. GCMMF is made up of 17 district cooperative unions. The brand AMUL has since been transferred to the apex body. AMUL posted on its website (http://www.amul.com/) that it had a turn over of US$ 2, 2 billion in the financial year 2010/11.

The main functions of the District Cooperative Milk Union (second-tier milk cooperative) are as follows (http://en.wikipedia.org/wiki/Amul#The_Three-tier_.22Amul_Model.22):

- Procurement of milk from the Village Dairy Cooperative Societies (VDCS) of the district;
- Arranging transportation of raw milk from the VDCS to the milk union;
- Providing input services to the producers like veterinary care, artificial insemination services, cattle-feed sales, mineral mixture sales, fodder & fodder seed sales, etc.);
- Conducting training on cooperativeDevelopment, animal husbandry & dairying for milk producers and conducting specialised skill development & leadership development training for VDCS staff & management committee members;
• Providing management support to the VDCS along with regular supervision of its activities;
• Establish chilling centres & dairy plants for processing the milk received from the villages;
• Selling liquid milk & milk products within the district;
• Process milk into various milk & milk products as per the requirement of state marketing federation; and
• Decide on the prices of milk to be paid to milk producers as well on the prices of support services provided to members.

The success of the AMUL dairy cooperative Model has attracted interest from various countries with desire to emulate it. The Times of India reported on 28 September 2011 that after visiting AMUL facilities in Anand at the invitation of the Gujarat government, the High Commissioner of South Africa to India (Harris Sithembile Majekne) and the South African High Commission’s Counselor-Political (Mvuyo Mhangwane) were impressed by the success of the Amul Model (www.thenews.coop/article/south-africa-expresses-keen-interest-amul-model.html).

South Africa expressed keen interest to emulate the Model. Similarly, the Ethiopian government also indicated keen interest to replicate the AMUL Model in Ethiopia after a visit by the Ethiopian ambassador to India along with the minister counsellor, economic and business to the cooperative facilities (www.newsdire.com/news/458-ethiopia-keen-to-replicate-amul-model.html).

The story of Kaira District Cooperative Milk Producers’ Union (commonly known as AMUL) is a clear indication of the role that can be played by second-tier cooperatives in providing support services to primary cooperative societies. Individual producers at village level through their primary cooperatives may not have the necessary infrastructure to add value to their products and maximise returns thereof. Amul has been able to provide processing and other facilities to primary cooperatives for the benefit of individual producers at village level. With the assistance of government mobilising the farmers according to commodities and providing basic
infrastructure, the Model may be replicated in South Africa with relative success.

3.4.2. Tnuva Secondary Cooperative (Israel)

Kislev (2000:1) states that Israel has been a testing ground for institutional settings in agriculture since its establishment in 1948. When the Jewish families that were scattered all over the world were driven to Palestine in 1948, the state of Israel was born. Kislev (2000:1) estimates that approximately eighty percent (80%) of agricultural outputs in Israel are produced on cooperative and communal farms, with the rest produced by privately owned enterprises.

According to Ottolanghi (1979) cooperatives in Israel are governed by the Cooperatives Societies Ordinance of 1933. The ordinance sets forth the aims of cooperative societies as fostering “economy, independent assistance, and reciprocal assistance between persons having common economic interests, in order to effect improvement in their living conditions”. In terms of membership the South African cooperative law provides that a minimum of five natural person qualify to form a cooperative while the Israeli cooperative ordinance requires at least seven people to form a cooperative society.

Avital (2010:44) indicates the Cooperative Societies Ordinance of 1933 professes more adherence to the western principles of cooperatives than its predecessor, the Cooperatives Societies Ordinance of 1920. However, Avital (2010) claim that this piece of law was not complete with the cooperative ideal in the sense that it provided that a cooperative society will have as its objective the promotion of economic interests of its members in accordance with cooperative principles without defining these principles. Another shortcoming of the 1920 cooperative society ordinance was that it did not provide for the registration of central/second-tier societies which are required for the creation of cooperative federations (Avital, 2010).
Kislev (2000: 2) distinguishes between four forms of agricultural cooperatives in Israel. These are kibbutzim, moshavim, communal moshavim and secondary service cooperatives. A kibbutz (pl. kibbutzim) according to Kislev (2000: 2) is a village of 200-2000 people. Kadan (2011:252-253) defines a “kibbutz” as a settling association constituted as a separate settlement maintaining a cooperative society of members organised on the basis of collective ownership of property, the object of which are personal labour, equality and cooperation in all spheres of production, consumption and education. In a kibbutz, members do not hold private property except for a small yearly allocated sum to be spent according to individual needs and desires. Basically the kibbutz is responsible for all the needs of the members and their families regarding food, lodging, clothing, health and education.

According to Rehber, Galor and Duman (1999:10) the members of the kibbutz come together for the reasons of survival. In a kibbutz all the tools of production were owned collectively by all the worker-members. If someone were to work outside, his income went directly to the kibbutz. There was no salary, but each member was provided with goods and services according to his need, including food, clothing, shelter, pocket money, education, culture, transportation and the like. The actual land belongs to the State and is leased to the kibbutz society for a nominal fee for a 49-year period. The sole condition is that the land must be used for agricultural production.

The second form of cooperative society is called a moshav (pl. moshavim). A moshav according to Kislev (2000: 2) is a cooperative village made up of 60-120 families. Schwarz (1999) also refers to a moshav as a village smallholder cooperative. A moshav is primarily a multi-purpose cooperative society with limited liability established to promote farming as the sole occupation and source of living for its members (Worsley, 1971:84). Moshav village is meant to operate a comprehensive multi-purpose cooperative framework and to maintain a system of local government charged with the provision of municipal services. Besides being an agricultural cooperative it also has a unit of local government. There is a General Assembly constituted by adult members that
has authority over the cooperatives as well as the municipal functions (Worsley, 1971:84).

Kadan (2011: 253) defines a moshav as an agricultural association constituted on a separate settlement, the object of which includes organising and arranging the settling of its members, maintaining cooperative in supply and marketing of products and fulfilling the tasks involved in administering a local authority. According to Kadan (2011) a moshav combines the features of both a cooperative society and a private farming. In a moshav, functions such as purchasing and marketing, farming equipments, workshops and stores are maintained by the cooperatives while individual members cultivates and tends their own farms. As claimed by Schwartz (1999) the moshav was found to be attractive as families were allowed to accumulate property and children are permitted to sleep at home rather than in children’s houses as is customary in Kibbutz. Every moshav family is paid according to what they produce.

The third form of cooperative according to Kislev (2000) is communal moshavim. This is a village where the farm or non-farm enterprises are run collectively (kibbutz style) while families own their dwellings. Communal moshavim is also referred to as the moshav shituffi. According to Kadan (2011) moshav shituffi combines features of both kibbutz and the moshav. The installation of the settlement is owned and collectively operated by the cooperative society whereas the farm itself is managed by every individual family which is also responsible for its own cooking, domestic economy and the care of its children (Kadan, 2011).

The fourth form of cooperative in Israel according to Kislev (2000) is the secondary cooperatives which are also referred to as regional purchasing organisations. Secondary cooperatives are formed by both kibbutzim and moshavim to provide services such as collecting, sorting, storage, transportation, cotton ginning and financial services. Although the individual kibbutzim and moshavim play a critical role in providing services like credit, Galor (1997:1) states that they cannot answer effectively the important needs of the farmers. This is so because membership in kibbutzim and moshavim is
not large enough to provide a turnover large enough to constitute a guarantee accepted by the banks from whom credit is sought (Galor, 1997:1)

To resolve this kibbutzim and moshavim will group themselves into secondary cooperatives each made up of 15-20 moshavim or kibbutzim. The secondary cooperative will among others facilitate access to credit for procurement of inputs, act as credit regulation agency, facilitate rural industrial development (agro-processing) as well as serve as marketing channels for kibbutzim and moshavim products.

Unlike Kislev (2000) who distinguishes between four forms of cooperatives in Israel, Fulton et al., (nd) approaches the structuring of cooperatives in Israel as being organised at two levels, local and regional. The local or primary level cooperatives include the kibbutz, moshav and communal moshav as described by Kislev. The second level of agricultural cooperation according to Fulton et al., (nd) is represented by the regional service cooperatives, whose members are the local level cooperatives, the kibbutzim and moshavim and not individual farmers.

Tnuva, the biggest marketing cooperative in Israel, is a cooperative of the second degree (second-tier), which markets the agricultural produce of its members, which are the primary cooperatives (Galor, 1990). Tnuva was founded in 1926, when the agricultural produce marketing division was detached from Hamashbir Hamerkazi which served as the central cooperative for the supply of basic provisions and belonged to the moshavim and to the kibbutzim. According to Kislev (2000) Tnuva has for years marketed all the farm products of agricultural cooperatives in Israel, but gradually lost its market share in fruit and vegetables. It was then left to concentrate on marketing of dairy products.

Agricultural cooperatives of first degree (primary cooperatives) were not required to invest money in buying a share upon joining the Tnuva, but have to fulfill other obligations one of which is to market all their agricultural produce through the cooperative, without exception (Galor, 1999). This was
done to prevent competition with other Tnuva members and in order to tighten the link between credit and marketing. Tnuva has organized a national network, which takes upon itself the collection, transportation, storage, processing and sale of approximately 75% of agricultural production earmarked for the local market in Israel (Galor, 1997).

Throughout the years Tnuva accumulated property which was financed by a percentage deducted from the sale of members’ produce (Galor, 2008). At some stage the cooperative was rated as the fourth largest company in Israel. However, Tnuva has now demutualised and is in private hands with the Apax group controlling 51% of the shares, Shamir group with 25% and agricultural group (comprising of a secondary cooperative called Grannot and six other regional enterprises owned by kibbutzim) controlling 24% of the new company (Galor, 2008).

Despite the demutualization of Tnuva, there is a clear indication of the significant role played by second-tier cooperatives in economic development of countries. The fact that at one stage Tnuva was rated as the fourth largest company in Israel is in itself, a confirmation that cooperatives of second level can experience a phenomenal growth, amass considerable amount of assets and be a force to be reckoned with in the economy. Although of late Tnuva focused mainly on marketing of agricultural produce of members, second degree cooperatives in Israel provide a variety of support services to members such as sorting, packing, storage facilities, feed mills, grain elevators, cotton gins and processing plants (Fulton et al., nd). In addition second-tier cooperatives provide other services such as professional management consulting functions, computer data processing services and financial intermediation, raising bank credit and allocating it to other members.

3.4.3. Federated Cooperative Limited (Canada)

Shaffer in Ryan, Devron and Lori (2005) noted that the cooperative movement in Canada was initiated some twenty years after the incorporation of the Rochdale principles. These are the principles of cooperatives adopted by the
first cooperative established in the town of Rochdale, England in 1844 and came to be known as the Rochdale principles. According to the Department of Agriculture (2000) the Rochdale principles include the following:

- there would be democratic control of membership of the cooperative shop;
- membership would be voluntary;
- they would not run their business for profit, but would take just enough in their capital to pay expenses and to buy more products;
- whatever profit they made would eventually be equally distributed among the members as a percentage of what every member has spent so that those who had spent most would get back the most and those that have spent the least would get less;
- all sales would be in cash so that no members could run a debt;
- only basic products of good quality would be sold;
- politics and religion would play no role in their activities; and
- they would do as much as they could to educate the members.

The Canadian cooperative movement dates back to late 19th century in the agriculture heartlands of Canada (dti, 2009). The success and survival of the rural population of Saskatchewan can be attributed to the system of working together, particularly in times of economic depression and in the event of natural disasters and extreme climatic conditions (dti, 2009). Stellarton (a mutual fire and insurance company) was the first cooperative to be established in Canada in 1861 (Ryan, Devron and Lori, 2005). Since then the movement expanded into other sectors like producers, consumers and financial services. Canadian agriculture, which is based primarily upon independently owned and family operated farms, has always developed under the primary governance of market signals (Shufang and Apendaile, 1998: 5).

In the 1900’s, misuse of market powers brought poverty among the Canadian farmers. According to Shufang and Apendaile (1998:8) the conditions of rural Canada which were characterised by poor farmers, large isolated spaces and no infrastructure resulted in farmers unable to obtain the required supply of
inputs and also unable to effectively market their products. These conditions necessitated a need for collective action. With cooperation being the tradition of Canadian farmers, a number of cooperatives were formed to rescue farmers out of their miseries brought by the imperfections in the market system (Shufang and Apendaile, 1998).

In her review of the social economy in Canada Smith (2010:13) noted that the need to address debt and deficits in the 1990’s coupled with the increased global competition, group pressure for tax relief and other concession from the private sector eroded the ability of government of Canada to provide goods and services. This situation compelled the Canadian government to undertake review of projects, embark on cost-cutting measures, including cuts in social expenditure and introduction of policies on fiscal restraints (Smith, 2010). These challenges forced the Canadian government to reconsider alternative ways of providing social services to the communities. Cooperatives were then seen and used as instruments to further the interests of government contrary to the ILO recommendation no 193 on the promotion of cooperatives by governments.

However, with the passage of time and in particular with the formation of the Canadian Cooperative Association (an apex organisation for cooperatives in Canada) cooperatives in Canada began to align themselves with the principles of cooperatives. This could be attributed to the influence by the former president of the Canadian Cooperative Association, Prof. Ian MacPherson, the founder of the British Columbia Institute for cooperative studies at the University of Victoria.

Professor MacPherson contributed to the Canadian cooperative movement through his extensive research largely on the history of the cooperative movement particularly in Canada. He headed the ICA committee tasked with writing the definition of cooperatives and the principles thereof. He wrote several books on the English-Canadian cooperative movement and other cooperative organisations in Canada (www//socialeconomyhub.ca/content/ian-macpherson). By serving on boards
of several cooperatives and being the founding president of the Canadian Cooperative Association, Professor MacPherson has been able to influence adherence to the statement on cooperative identity and alignment with the cooperative principles.

The government in Canada is organised around three levels, viz. central federal level, provincial government and territorial governments (Shufang and Apendaile, 1998:13). Cooperatives in Canada are regulated by the Canadian Cooperatives Act of 1998. In the preamble of the Act, the government of Canada recognises the following:

- that cooperatives in Canada carry on business in accordance with internationally recognised cooperative principles;
- that cooperatives in Canada work for social and economic development of their communities through policies approved by their members; and
- having determined that it is desirable to modernise the law governing cooperatives, the government of Canada enacted the current Canadian Cooperative Act with the latest amendment in 2011.

In terms of coordination of cooperative activities in Canada, the Cooperative Secretariat was established by the Canadian Federal government as a form of intergovernmental forum for all departments that either have policies or legislation for cooperatives (dti, 2009). Sriram (1999) noted that the cooperatives structure in Quebec, Canada is similar to the Indian structure with three tiers or levels, viz. primary cooperatives at local levels under territorial government, second level cooperatives at provincial level and national cooperatives referred to as federations.

The formation of sectoral second level cooperatives is key to the development of sectors in the Canadian cooperative sector (dti, 2011). The Federated Cooperatives Limited (FCL) is one of the most successful second level cooperatives in Canada. FCL is a second level cooperative providing central wholesaling, manufacturing and administrative services to approximately 300
locally owned retail cooperatives in western Canada (Fulton and Gibbings, 2000). It is a multi-faceted organisation that is based on principles of cooperatives. Although most of its members are primary retail cooperatives, FCL provide goods and services in the agro products division where they manufacture feeds and supply to members.

According to the Cooperative Secretariat of the Government of Canada (www.coop.gc.ca) FCL featured first on the top 50 non-financial cooperatives in Canada in 2008 with an annual turnover exceeding US$ 6.57 trillion. Among the top 500 Canadian corporations it ranked 49 in overall. In 2009 FCL was ranked number one on the Government of Canada’s list of the top 50 non-financial cooperatives. The Financial Post business magazine’s listing of Canada’s top 500 corporations ranked FCL’s sales 52nd in 2010 (www.coopconnection.ca/wps/portal/fclretail/FCLInternet/AboutUs/FCL/!ut/p/).

In 2011 FCL’s sales were recorded as $8.3 billion. The core business of FCL is mainly in the supply side. In terms of support to members the cooperatives is able to assist members save on transaction costs relating to supply of inputs through its bulk buying and manufacturing facilities. Primary members also save on transportation costs as well.

3.4.4. Oromia Coffee Producers Cooperative Union (Ethiopia)

The development of cooperatives in Africa is said to have traversed two main eras: the era of state control and that of liberalisation (Wanyama, Develtere and Pollet, 2009:1). The first era of state control was the era under which cooperatives were not formed out of people’s own interest or motivations. African governments used cooperatives as instruments to implement their socio-economic policies. Hussi et al., (1993) concur with Wanyama, Develtere and Pollet and further say that governments also used cooperatives as channels for the provision of credit often linked to the distribution of agricultural inputs. On the output side cooperatives were also used by governments as marketing agents of certain agricultural products.
The era of liberalisation was brought about by the ILO recommendation 127 of 1966 (as repealed by the recommendation 193 of 2002) and the ICA Statement on Cooperative identity of 1995. The ILO recommendation 193 provided guidelines to governments on how to go about promoting and supporting cooperatives while the ICA Statement on cooperative identity provided a universally accepted common definition of a cooperative and the seven principles of cooperatives thereof. This section discusses the development of cooperatives in Ethiopia with emphasis on Oromia Coffee Producers Cooperative Union as a secondary cooperative.

Ethiopia is in the east-central Africa bordered on the west by Sudan, the east by Somalia and Djibouti, the south by Kenya and north east by Eritrea with an estimated population of 88,013,491 in 2010 (http://www.infoplease.co/ipa/A0107505). According to Francesconi and Heerink (2010) Ethiopia is the largest producer of maize, wheat, coffee and the birth place of the coffee bean in Africa. When one talks of cooperation in Ethiopia cooperatives comes into the picture, hence Francesconi and Heerink (2010:2) state that in Ethiopia collective action is synonymous with cooperatives.

Cooperatives exist in various sectors of the economy in Ethiopia and have a larger presence in the services, agriculture and industry sectors (Lemma, 2008). By 2005 there were over 14000 cooperatives in Ethiopia and 6% of these were in the agricultural production comprising of grains, coffee, vegetables, dairy, fish, irrigation and marketing (Lemma, 2008:031). The government of Ethiopia is more involved in cooperative development and used them as instruments to achieve its poverty reduction strategy (Emana, 2009: 4-5). This involvement according to Emana is premised on the belief that cooperatives can mobilise human and financial resources to support economic and social development through activities such as production, marketing, processing and distribution of commodities.

Ethiopia is a federal state made up of regional states. Cooperatives in Ethiopia are regulated by the Cooperative Societies Proclamation 147 of 1998
issued in accordance with ILO recommendation 193 and ICA Statement on Cooperative Identity of 1995 (Emana, 2009). According to Emana (2009:3) the proclamation sets out among others the following:

- general provisions for registration of cooperatives;
- legal form of registered cooperatives;
- rights and duties of members;
- governance and management of cooperatives;
- special privileges of primary cooperatives;
- assets and funds of primary cooperatives;
- audit and inspections;
- dissolution of cooperatives; and
- other miscellaneous provisions.

To oversee the appropriate implementation of the proclamation and any other relevant policies, the Ethiopian government established the Federal Cooperative Agency and gave it the mandate of registering cooperatives (Lemma, 2008:135). The cooperative proclamation makes provision for the formation of cooperatives at four levels, viz. primary, union, federation and confederation. However, Emana (2009) observed that only three tiers are functional and confederations are yet to be established.

Lemma (2008:140) noted the effect of integration (vertical and horizontal) as an important tool that enables cooperatives to realise their potential resources as well as working collectively to achieve their common goals. With this in mind, the federal government of Ethiopia embarked on promotional efforts aiming at increasing the number of unions in the country. Cooperative unions have been established in Ethiopia with the objective of achieving greater economies of scale through increasing the bargaining power of primary cooperatives (Emana, 2009:13).

Oromia Coffee Farmers Cooperative Union is a second-tier cooperative that was established in 1999 by 35 primary coffee producing cooperatives in the
state of Oromia (Satgar and Williams, 2008). The cooperative was the first one to be established under the Cooperative Societies Proclamation 147/1998 which permitted the formation of higher levels cooperatives such as the unions, federations and cooperative leagues (Meskele, 2010). The main objective of the unions was marketing of coffee supplied by the primary cooperative societies.

Collaboration between ACDI/VOCA and the regional cooperative promotion bureaus saw the launch of a five year extension programme called the Agricultural Cooperatives in Ethiopia (ACE). The main objective of the programme was to support the establishment of secondary cooperatives thereby allowing members to take advantage of economies of scale in purchasing and marketing (Walton, 2005:2). Through the programme (ACE), Oromia Coffee Farmers union requested and was granted permission to export coffee directly. Meskele (2010) indicates that the cooperative seized this opportunity and managed to penetrate the international coffee market and became owner of fair-trade and organic certification.

According to Satgar and Williams (2008), the primary role of the cooperative is to assist primary societies with the difficult market conditions. To this end the union is responsible for establishing market linkages, ensuring certification standards, packaging and distribution as well as farmer development programmes.

3.4.5. Kagera Cooperative Union (Tanzania)

Like in Ethiopia, cooperatives in Tanzania have also been through the colonial state control and liberalisation eras. Smith (2010) observed that Tanzania is one of the poorest countries in Africa, which is in turn the poorest continent in the world. Tanzania is the second largest country after the Democratic Republic of Congo, in East and Central Africa (Sizya, 2001). The United Republic of Tanzania is a unitary state made of two formerly independent countries, Tanganyika and Zanzibar.
According to the estimates on July 2011, the population of Tanzania was around 42 million (http://en.wikipedia.org/wiki/Demographics_of_Tanzania). In the colonial period the British encouraged the development of cooperatives to further their own objectives. Schwettmann (2000) concurs with this and further mention that modern cooperatives in Africa were introduced by colonial governments mainly to increase the production of cash crops and to control economic activities in the rural areas.

Cooperative movement in Tanzania dates as far back as 1925 according to Rutatora and Mattee (2001). Cooperatives formed during these eras were said to be strong organisationally, economically and financially. By 1976, Mchomvu, Tungazara and Maghimbi (2002) mention that cooperatives had built up an encouraging level of capital through retained earnings, cash reserves, members’ deposits and cash investments in various holdings. Rutatora and Mattee (2001) contend that the success of cooperatives during this era propelled the government of Tanzania to take a lead in the development of cooperatives.

After independence cooperatives were promoted by government in a top down structure with the state directing and controlling their activities (Smith, 2010). Under the circumstances cooperatives became heavily dependant on the state through loans which rendered them ineffective to render the services to members (Rutatora and Mattee, 2001). Tragedy fell on cooperatives in 1976 when the cooperatives were abolished and their assets nationalised only to be re-established in 1982 without the assets returned to them (Smith, 2010).

However, after re-introduction of cooperatives in 1982, Maghimbi (2010) say that the cooperative movement performed poorly under the existing cooperatives Act of 1991 then which was viewed as too restrictive. In an effort to turn things around the government of Tanzania appointed a Presidential committee to review the cooperative sector (Smith, 2010). The committee recommended that a new cooperative law and policy should be formulated
(Maghimbi, 2010). This is how the current Tanzanian Cooperatives Societies Act of 2003 came into being.

In terms of levels of cooperatives Maghimbi (2010) indicates that the cooperative movement in Tanzania adopted various structures at different periods, viz. two-tier, three-tier and even four-tiers. With the passing of the Cooperatives Societies Act of 2003 the organisational set up of the cooperative movement in Tanzania mainland is a four-tier structure which is provided for by the law. However, Maghimbi (2010) say that this is a flexible four-tier structure as the law only makes it compulsory for two structures (primary cooperatives and a confederation). Members of cooperatives are however, free to form middle level cooperatives of unions/secondary and tertiary cooperatives.

Despite the passing of the Cooperatives Societies Act of 2003, the demise and abolishment of cooperatives in 1976 by the Ethiopian government remained in the minds of the Tanzanians. This resulted in many people especially the small farmers and tenants who had depended on cooperatives to doubt the motives and relevance of the cooperative laws (Maghimbi, 2010). Recognising this challenge, the government of Tanzania appointed a Presidential Special Committee on the revival, strengthening and development of cooperatives in Tanzania in 2002. The outcome of this process was the formulation of the Tanzanian Cooperative Development Policy of 2002.

Schwettmann (2000) noted one distinctive feature of cooperatives compared to other types of enterprise as their ability and propensity to create vertical structures resulting in some viable cooperative unions. Cooperatives Unions have attempted to innovate mechanisms for linking coffee producers to consumers to realise better prices for the producers (Sizya, 2001). The Fair Trade arrangements saw the formation of several cooperative unions like Kagera Cooperative Union, Karagwe District Cooperative Union, Kilimanjaro Native Cooperative Union and Usambara Cooperative Union being able to
facilitate the export of coffee from their members to Alternative Trading Organisations in Europe, USA and Japan (Sizya, 2001).

Develtere and Pollet (2005:3) define a “fair trade” as a trading partnership based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of marginalised producers and workers especially in the South. The idea of a fair trade originated in response to the unequal terms of trade imposed upon the developing countries. The fair trade arrangements ensures that marginalised producers particularly in developing countries are able to access international markets and receive better and competitive prices for their products. A fair trade labelling organisation was established in 1992 as a worldwide standard setting and certification body (Develtere and Pollet, 2005:3).

For the purposes of this study Kagera Cooperative Union forms part of the discussion. The Kagera region of the north-west Tanzania is a remote and isolated location between the Rwanda Mountains and Lake Victoria. In recent decades, the people in this region have had their share of adversities from the endemic insect plagues that destroyed agriculture resulting from a project to increase fish stocks to the HIV pandemic and the capsizing of a ferry killing over 500 people (www.fairtrade.org.uk/producers/coffee/a_better_life_at_the_source_of_the_nile.aspx).

Satgar and Williams (2008: 33) view Kagera Cooperative Union as an extraordinary organisation that has managed to overcome serious challenges in the 1990’s. The Union was founded in 1950 by 124 village coffee producers’ cooperatives. With Kagera region’s primary economic activity being coffee, Kagera Cooperative Union’s main activity is the marketing of coffee produced by member village primary cooperatives (Satgar and Williams, 2008). Kagera Cooperative Union did not survive the dissolution of cooperatives in 1976 by the government of Tanzania. When the cooperatives
were re-introduced in 1982 Kagera Cooperative Union reformed itself and officially registered in 1984.

Broadly, Kagera Cooperative Union buys coffee from its primary members and sells it to the Fair Trade. The union play a crucial role in ensuring that farmers comply with fair trade and organic certification in the growing and harvesting of coffee. The union provides transport to collect coffee from primary societies to its processing plant which it shared with other unions in the region (Satgar and Williams, 2008).

3.4.6. Yebo Cooperative (South Africa)

Like in other countries, the cooperative movement in South Africa has traces to the colonial and apartheid era. As mentioned by Jara and Satgar (2008:5) the history of cooperative development in South Africa was shaped by the history of colonial and apartheid planning and organisation in society and the economy. The history of cooperative development in South Africa has been adequately documented by Van Niekerk in 1988.

Agricultural cooperatives in South Africa have played a significant role in the development of the commercial agricultural sector (Ortman and King, 2007). This was achieved mainly through government support to commercial farmers through subsidised interest rates, concessions and price support that saw cooperatives serving as suppliers of farming inputs such as fertilisers, seeds, chemicals, fuel and credit (Ortman and King, 2007). However, the development of cooperatives in South Africa dates back even before the Union of South Africa in 1910 according to Sikuka (2010).

The first formal cooperative in South Africa was established in Pietermaritzburg in 1892 under the companies Act (Jara and Satgar, 2008). According to Botha (2005) cooperatives in South Africa came into existence in 1902 after the end of the Anglo-Boer war where the Boers were fighting the British. As a result of the war agriculture came to a standstill particularly in the Boer republics of the Free State and the Transvaal. In the process almost
everything was destroyed and livestock killed as a result of the British policy on guerrilla war (Department of Agriculture, 2000).

Following the war there was a need for economic reconstruction but capital was unavailable (Botha, 2005). Markets became a major constraints or challenge to the farmers. This was as a result of the destruction caused to infrastructure and buildings as a result of the war. The little that farmers could produce ended up with the nearest general dealer who will fix prices and supply farmers with necessities like groceries, clothing and farming requisites (Department of Agriculture, 2000). These unpleasant times necessitated collective efforts by the farmers to initiate new and innovative ways of marketing their farm produce. With the support of government, farmers started cooperatives in all the provinces of South Africa (Sikuka, 2010).

The legislative framework for cooperatives in South Africa beginning with the Cooperative Societies Act of 1922 up to the current Cooperatives Act 14 of 2005 was adequately presented in the second chapter (see section 2.4. in chapter 2). In addition to the shortcomings of the Cooperatives Act 91 of 1981 as articulated by Ortmann and King (2007), Neser (2005:39) lists the following as some of the reasons for seeing the Cooperatives Act 91 of 1981 as unsuitable:

- The definition of the cooperative was inadequate and cooperatives registered in terms of the act were not explicitly required to conform with cooperative principles;
- The Act presupposed that the state play a highly interventionist or paternalistic role in relation to cooperatives;
- The focus of the Act was primarily on agricultural cooperatives, with all other cooperatives classified as trading;
- The requirements to adhere to the Act were relatively onerous;
- The provisions that protects the interest of members of the cooperatives, particularly vis a vis the board of directors were weakly articulated; and
The language of the Act was viewed as complex and difficult to understand—considered inaccessible to the average member.

As a result of these and other shortcomings a process of reviewing the Cooperatives Act 91 of 1981 was initiated. The Cooperative Policy Task Team (CPTT) was set up to assist and make recommendations to the Minister of Agriculture with regard to policy concerning cooperatives (Neser, 2005: 16). This process led to the publication of the first Draft Bill on Cooperatives in 2000. According to Theron (2008:307) a decision was made by cabinet in 2002 to transfer the cooperative mandate from the Department of Agriculture to the dti with the physical move only taking place in 2005. Subsequently the Cooperatives Act 14 of 2005 was promulgated and assented on 18 August 2005.

With regard to the sixth principle of cooperatives “cooperation among cooperatives”, the Cooperatives Act 14 of 2005 makes provision for registration of three forms of cooperatives, viz. primary, secondary and tertiary cooperatives. For all the cooperative principles and their meaning see section 2.2.2 of chapter 2. The National Cooperative Association of South Africa (NCASA) was established in 1997 as an apex body of cooperatives in South Africa. According to Satgar (2007:17) NCASA was launched by several sectoral bodies such as the Agricultural Cooperative Business Chamber (ACB), the National Consumer Cooperative Union (NCCU), the South African Cooperative Network (SACNET) and the Savings and Credit Cooperative League of South Africa (SACCOL).

NCASA relied heavily on donor funding and could not sustain itself through membership contributions. At some stage it was funded by the Canadian Cooperative Association and also went into partnership with the dti. When these sources of financial support dried up, the demise of NCASA became imminent. Theron (2008) comments that the vertical integration in the cooperative sector was dealt a major blow with the disintegration of NCASA. According to the dti (2009:27) there are three sectoral bodies registered as
secondary cooperatives providing support services to their members. The sectoral cooperatives and their services are as follows:

**The South African Credit and Cooperative League of South Africa (SACCOL)**

This is a sectoral cooperative representing the interest of all savings and credit cooperatives in South Africa with its headquarters in Roggebaai, Cape Town. SACCOL provides the following support services:

- develops training resources to assist start up savings and credit cooperatives;
- provides long distance training sessions, education modules, provincial forums, manager training and electronic library with links to training programmes; and
- develops regulatory tools and services to monitor and evaluate cooperative standards and operations.

**The South African Housing Cooperative Association (SAHCA)**

SAHCA is a sectoral body representing the needs and interest of housing cooperatives in South Africa and is based in Johannesburg. SAHCA provides the following support services to member cooperatives:

- engages with government on policy issues within the housing sector and
- networks internationally forming partnerships to strengthen capacity and support services to its member cooperatives.

**The South African Federation of Burial Societies (SAFOBS)**

SAFOBS is a registered secondary cooperative federation of the burial societies and is also registered as an authorised financial services provider with its headquarters in Braamfontein, Johannesburg. It was formed in 2004 and its current membership comprise approximately of 250 burial societies
representing more than 80 000 members (www.microinsurance.coop/icmif-members/south-african-federation-of-burial-society-safobs). According to Theron (2007) these secondary cooperatives had affiliated to the now defunct National Cooperative Association of South Africa. In an attempt to resuscitate the cooperative movement in South Africa, the South African National Apex Cooperatives Limited (SANACO) was established in 2010 as an apex body of cooperatives in the country.

**Yebo Cooperative Limited**

Over and above the three sectoral bodies, Yebo was established in 2003 as a secondary entrepreneur cooperative to serve its member cooperatives (Von Ravensburg, 2009). It is a secondary cooperative with its offices in Pretoria and primary member cooperatives drawn from provinces. Yebo was established as an initiative of the German government through the DGRV to provide financial services to the poor focusing on addressing issues of unemployment, poverty and nutrition to the poor based on collective action (Hosseni, 2008:16). Its offices are based in Pretoria. One of its successful projects is a bakery wherein Yebo assist with bulk buying of ingredients (mainly flour) and provide marketing services through packaging and branding (Göler von Ravensburg, 2009).

The following are some of the support services provided by Yebo to its primary cooperatives according to Hosseni (2008:17)

- assist in identifying potential business activities;
- draws up business plans for members;
- provide training in general administration and business management to members;
- provide technical advice;
- bulk buying; and
- auditing services;
Göler von Ravensburg (2009) also mentions that Yebo provides financial services that include savings mobilisation, insurance facilities, housing schemes and small business loans. The next section looks at the role of government in promoting and supporting cooperatives, including second-tier cooperatives.

**3.5. The role of government in supporting second-tier cooperatives**

The role of government in the promotion and support of cooperatives has been clearly articulated in the ILO recommendation No. 193 (see section 1.2. in chapter one for clarity on the recommendation). The recommendation has now become a pillar or the basis upon which governments develop policies, strategies, legislation and any other support mechanisms for cooperatives. In terms of section 1(4) of the recommendation, measures should be adopted to promote the potential of cooperatives in all countries, irrespective of their level of development, in order to assist them and their members to among others, create and develop income-generating activities and sustainable decent employment. According to the Presidency (2009:2), one of the South African government’s strategic objectives in terms of the Medium Term Strategic Framework is more inclusive economic growth, decent work and sustainable livelihoods.

Section 1(5) of the recommendation stipulates that the adoption of special measures should be encouraged to enable cooperatives, as enterprises and organisations inspired by solidarity, to respond to their members’ needs and the needs of society, including those of the disadvantaged groups in order to achieve their social inclusion. Of particular importance, section 7(2) stipulates that such support measures provided by governments could include, among others, tax benefits, loans, grants, access to public works programme and special procurement provisions. To elaborate further on the nature of special measures to be adopted by governments, section 11(1) stipulates that governments should facilitate access of cooperatives to support services in order to strengthen them, their business viability and their capacity to create employment and income.
The support services under section 11(1) are provided for under section 11(2) and include the following:

- human resource development programme;
- research and management consultancy services;
- access to finance and investment;
- accountancy and audit services;
- management information systems;
- information and public relations services;
- legal and taxation services;
- support services for marketing; and
- other support services where appropriate.

In line with the ILO recommendation 193, most governments encourage and promote the establishment and development of the so called “ICA styled” cooperatives. These are cooperatives that conform and adhere to the principles of cooperatives, the values and ethics as entrenched in the statement on cooperative identity adopted by the General Assembly of the International Cooperative Alliance in 1995, held in Manchester. In Canada for example, the role of government in the promotion and support of cooperatives is to provide a highly enabling environment for vibrant cooperatives to exist through legislative framework that promotes strict adherence to the international cooperative principles (dti, 2011). In addition to this, the Canadian government provides a favourable tax regime for cooperatives. The Canadian government works closely with, among others, the Canadian Cooperative Association, the Cooperative Secretariat and the Advisory Committee on Cooperatives in support and promotion of cooperatives.

In India, the government has created a supportive climate for the development of cooperatives as democratic and autonomous businesses providing them with the opportunities for diversification (Das, Palai and Das, 2006). Central government has also introduced democratic reforms in the regulation,
supervision and functioning of cooperatives by way of passing the Multi-state Cooperatives Societies Act and the National Cooperative policy that provides greater autonomy to cooperatives. According to Satgar (1999:8), the role of the state in supporting the milk producing cooperatives includes breeding technology for dairy cows, improvement of nutrient content of cow fodder and provision of transport linkages. In this case, the state has provided the necessary infrastructure for transportation and communication lines.

In Ethiopia, Meskele (2011) mentions that due to lack of strong financial position and lack of policy supporting cooperative access to credit, the cooperative unions depend highly on government collateral for accessing loans from the main stream commercial banks. Government further plays a role of strengthening the financial capacity of cooperative unions through the allocation of foreign currency for the importation of agricultural inputs. Government also supports cooperatives for the purposes of stabilising food prices. In terms of building capacity in cooperatives, the Ethiopian government collaborates with other international aid organisations to provide capacity to cooperatives.

In Canada, the government provides support to cooperatives through programmes such as the Cooperative Secretariat and the Cooperative Development Initiative (CDI). The Cooperative Secretariat advises government on policies affecting cooperatives, coordinates the implementation of such policies and encourages the use of the cooperative model for social and economic development of Canada’s communities.

Through the CDI, the government of Canada helps people to develop cooperatives through provision of advisory services, research and knowledge development, as well as the innovative cooperative projects. Government provides funding to innovative projects that respond to the public priority areas and generate best practices and learning.
The role of the Tanzanian government in supporting cooperatives is through the Office of the Director and Registrar of Cooperatives which oversees cooperatives in Tanzania. As reported by Maghimbi (2010: 20-21), this office promotes, inspects and advises cooperatives. It also encourages the formation of cooperatives through seminars and campaigns. The auditing of cooperatives is also done by the office when the Cooperative Audit and Supervision Corporation (semi-autonomous parastatal) cannot cope with its auditing function (Maghimbi, 2010:21).

In living with the provisions of ILO recommendation 193, the South African government took initiatives of inclusive promotion and development of cooperatives by relocating the cooperative function from the DAFF to the dti in 2002. Subsequent to this, the Presidential Growth and Development Summit was convened in 2003. This summit endorsed special measures to support cooperatives as part of strategies for job creation in the South African economy (Philip, 2008).

The National Economic Development and Labour Council (Nedlac) is a vehicle through which government, labour, business and community organisations seek to cooperate through problem solving and negotiations on economic, labour and development issues, as well as related challenges facing the country (www.nedlac.org.za/home.aspx). The constituencies of Nedlac agreed out of the summit that a range of immediate interventions were required to among others, support cooperatives. according to section 4 of the Growth and Development Summit Agreements of 2003, Labour undertook to support the development of cooperatives as an important form of Black Economic Empowerment and agreed that procurement opportunities will have to be identified at all levels of government to significantly increase the level of black enterprise support, including cooperatives.

In 2004, a Cooperative Development Policy for South Africa was passed. In terms of this policy, the government sees its role as that of creating a favourable legal, economic, administrative and institutional environment (dti, 2004). Of significant importance is the recognition by the policy that
cooperatives are not governmental organisations. The role of government in terms of the policy is among others, to design special incentives and support measures for cooperatives, availing access to infrastructure through incubation programmes, access to SMME tax incentives as businesses, preferential procurement and institutional support.

The dti has since set up a fund in 2005 called the Cooperative Incentive Scheme (CIS) as one of the special measures to address the issue of lack of access to finance by cooperatives (dti, 2010). The aim of the fund according to the dti, is to reinforce the initiatives of government towards the development and promotion of cooperatives as a viable form of enterprise in South Africa. It is a 90% cost-sharing fund to emerging cooperatives up to a maximum of R 300 000. With any amount approved, the cooperative will have to put up 10% and the dti will pay 90%. The Department of Economic Development, through Ithala Bank, is providing both loans and grants to cooperatives in the province of KwaZulu-Natal.

In Limpopo, the formation of the Limpopo Business Support Agency (LIBSA) was an outcome of the provincial growth and development strategy in Limpopo (www.lipsa.co.za/). The main objective of Libsa is the promotion of enterprises in the sectors of mining, tourism, agriculture, manufacturing, construction and information communication technology into the mainstream economy. According to Libsa’s website (www.libsa.co.za), the mission of the organisation is to coordinate and implement innovative business support programmes through among other things, cooperative development and support. Libsa provides financial support in the form of loans and grants.

In terms of institutional support, the government plays a crucial role through the Small Enterprise Development Agency (SEDA) by providing capacity-building programmes to emerging cooperatives in South Africa. Within the DAFF there is a sub-directorate which is responsible for the development of cooperatives in the sector under a Directorate called Cooperatives and Enterprise Development. The directorate mainly provides non-financial
support in the form of capacity building, advice, linkages and assistance in accessing markets and financial support.

In the area of procurement, the government of Kwazulu-Natal has prioritised cooperatives in the procurement of goods and services by its departments. An example of this is the seven agricultural cooperatives that have signed agreements to supply hospitals in the province with fruit and vegetables as well as eggs. The South African Micro-Finance Apex Fund (SAMAF) is an initiative of the dti established to address poverty and unemployment (Satgar, 2006). According to the SAMAF website (www.samaf.org.za), SAMAF is a wholesale funding institution formally established in April 2006 as a trading entity governed by the Public Finance Management Act (PFMA Act) of 1999. As reported by Satgar (2006), SAMAF provides financial services, institutional and client capacity building and savings mobilisation through cooperatives and other indigenous formations such as burial societies and stokvels.

Cooperatives are also benefiting from government through the provision of infrastructure as well either by the dti and its sister departments of economic development in provinces, DAFF or Department of Cooperative Governance and Traditional Affairs. Satgar (2006) sums up the role of government in support of cooperatives, in particular the dti, as that of a policy custodian, influencing regulatory standards for cooperatives, training and capacity-building support, financial support and managing partnership. One could also add provision of infrastructure and procurement part of the role of government in support of cooperatives.

3.6. Conclusion

It has been the purpose of this chapter to highlight the important contribution and significant role of second-tier cooperatives in support of their primary member cooperatives to realise both economies of scale and scope. In fulfilment of the 6th ICA principle of cooperatives “cooperation among cooperatives”, cooperatives are encouraged to cooperate with each other
locally and internationally. This integration can either happen vertically or horizontally.

In the agricultural sector for example, Wanyama, Develtere and Pollet (2009:12) mention that vertical integration has led to the creation of some very viable unions and federations. They cite examples of the rice farmers in Rwanda establishing the Rice Cooperative Union to negotiate prices with government and the coffee farmers in Ethiopia, forming the Oromiya Coffee Producers Federation to represent the interest of coffee farmers in national and international marketing of their produce. In South Africa, for example, the Savings and Credit Cooperatives (SACCOs) established the Savings and Credit Cooperative League of South Africa (SACCOL) to provide support services to member primary SACCOs mainly in a form of training and setting up of systems. The establishment of second-tier cooperatives should be demand-driven and based on the needs of the primary cooperatives.

Second-tier cooperatives have been found to play a useful role in supporting the development of their member primary cooperatives. However, any support to these second-tier cooperatives should be based on proper analysis of the actual needs of the primary cooperatives and of the prospects of viability and sustainability of the second-tier cooperative. Typically, second-tier cooperatives provide support services that would otherwise not be cost effective if provided by a single primary cooperative to its individual members. These support services include but are not limited to bulk buying, collective marketing, storage facilities, transportation, processing facilities, capacity building, auditing, packaging, setting of standards, branding and general business support.

In support to cooperative development government performs two key functions, viz. the legal function that entails the regulation of cooperatives and the development function that entails the support and promotion of cooperatives. The legal function is regulatory in nature. This relates to the creation of a favourable environment under which viable cooperatives will be established and thrive. This is done by way of passing legislation that
recognises the autonomy and independence of cooperatives in line with the principles of cooperatives and affords cooperatives an opportunity to cooperate with each other horizontally and vertically in fulfilment of the 6th principle.

The developmental role of government entails support and promotional functions. In this regard, government plays multi roles in promoting and supporting cooperatives. The nature of support provided in most cases is not exclusive to a particular level of cooperatives. The state plays a role of a financier by way of providing grants and loans, as well as guarantees to cooperatives. Government plays a role of institutional capacity building by way of providing training programmes through some of its agencies or partners in order to strengthen the operations of cooperatives. Government also plays the role of ensuring accessibility to markets through the provision of infrastructure and preferential procurement opportunities. All these support and promotional functions or roles of the state are in line with the provisions of the ILO recommendation No 193 on the promotion of cooperatives.

The next chapter focuses on the methodology used to collect data for this study.
CHAPTER 4

RESEARCH METHODOLOGY

4.1. INTRODUCTION

As stated in the first chapter, the main objective of this study was to determine the role which the DAFF should play in strengthening the existing second-tier agricultural cooperatives in South Africa. The specific objectives of the study are as follows:

- to establish the role played by the DAFF in promoting and supporting second-tier agricultural cooperatives,
- to identify the specific services provided by existing second-tier agricultural cooperatives and ideally what services they should provide to their members,
- to determine the levels of capacity in existing second-tier agricultural cooperatives to support their primary member cooperatives,
- to establish the current organisation or structuring (by commodity or locality) of the existing second-tier agricultural cooperatives.

It is anticipated that the study will provide suggestions on the approach to be adopted or followed by the DAFF in promoting and supporting cooperatives in the sector, in particular, the second-tier agricultural cooperatives. The study is mainly based on existing second-tier agricultural cooperatives in the Zululand District of the province of KwaZulu-Natal. As a result, fieldwork was undertaken to collect data for analysis with an objective of finding answers to the key questions as postulated under section 1.4. of the first chapter. The second-tier cooperatives participating in this study were visited to collect data for this study.

Hann (2008:189) says that the methodology section of a report should explain in detail how the study was conducted based on explanation of methods used. This should also allow interested researchers to follow the methods used in
order to replicate the research procedures to verify the findings. Hann (2008:189) further says that the methodology section is the place to describe the researcher’s philosophy, the study’s theoretical framework, the research design strategy and how data was collected, analysed, coded and verified for accuracy and how the ethical issues were managed.

To further elaborate on the importance of the research methods section, Biggam (2008:79) states that research studies that lack crucial information on the research methods used and the reason(s) for implementing the research cannot be trusted. As Biggam (2008:79) puts it, the objective is to give the reader clear and unambiguous information on the methodology used to conduct the research, so much so that, if the reader wishes, they could easily replicate the study.

The purpose of this chapter is therefore to provide a detailed overview of the methodology used to collect data, as well as the techniques used to analyse the data. It is well structured, detailed and reflects the meticulous nature of the research work as highlighted by Gill and Johnston in Biggam (2008). The chapter covers the questions of which research design was chosen, how data was collected, analysed and presented, as well as the ethical issues.

4.2. Research Design

The research design in this study was carefully chosen after analysing the questions that had to be answered by this study. As defined by Mouton in Auriacombe (2001:18), a research design is a plan or blueprint of how one plans to conduct a research. It focuses on the end product as to what kind of study is being planned and what kind of result is aimed at. The plan will indicate the specific procedures to be used to obtain empirical evidence. According to Mouton (2001), a research design should answer the key question of which type of study will be undertaken in order to provide acceptable answers to the research problems or questions. In this regard, Auriacombe (2001) states that the research problem or question serves as the point of departure. In this study, a mixed method approach was used to collect
data. Both qualitative and quantitative methods were employed. It would be important to explain both quantitative and qualitative research at this stage.

Leedy (1997:104) defines a quantitative study as “an inquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers and analysed with statistical procedures, in order to determine whether the predictive generalisation of the theory holds true”. As described by Taylor (2005:91), the major purpose of a quantitative research is to make a valid and objective description on phenomena. Quantitative research refers to research that is concerned with quantities and measurements (Biggam, 2008:86). The scientific research that deals mainly with quantifiable data tends to be grouped under the heading quantitative research (Biggam, 2008:86). The number crunching, according to Biggam (2008:86), can be more complicated than just gaining simple quantitative information because it can involve calculations.

Taylor (2005:91) is of the view that quantitative research methods cannot address the full range of problems in the behavioural sciences, as well as in the physical sciences. The two main problems with qualitative research methods according to Taylor (2005:91) are:

- complete control and objectivity cannot be successfully achieved in the behavioural sciences;
- data gathering instruments do not frequently answer all of the questions posed by the researcher in the behavioural sciences.

Premised on the above problems, Taylor (2005) is of the view that quantitative research methods cannot successfully evaluate the full range of human behaviour.

Leedy (1997:104) says that the quantitative approach is typically used to answer questions about the relationships among measured variables with the purpose of explaining, predicting and controlling phenomena. The quantitative
approach is sometimes referred to as the traditionalist, the positivist, the experimental or the empirical approach, according to Leedy. Quantitative research methods include historical, descriptive, correlational, casual-comparative, experimental, action research and development (Taylor, 2005:91). All these methods yield numerical data and are evaluated by utilising descriptive or inferential statistics.

Descriptive research as one of the quantitative methods describes and interprets the present (Taylor, 2005:93). Its primary purpose according to Taylor (2005:93) is to analyse trends that are developing, as well as current situations. Data derived from a descriptive research can be used to diagnose a problem or to advocate a new or approved programme. Taylor (2005:93) goes further to say that in essence, descriptive research is designed to solve present day problems and solutions of present day problems will assist in projecting goals and directions for the future.

Contrary to quantitative research, Leedy (1997: 105) defines qualitative research as “an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants and conducted in a natural setting. While quantitative methods yield numeric data, Creswell (2009:179) says that qualitative procedures rely on text and image data, have unique steps in data analysis and draw on diverse strategies of inquiry.

According to Biggam (2008:86), qualitative research answers the question ‘why’ and is linked to in-depth exploratory studies where the opportunity for “quality” responses exists. As mentioned by Denzin and Lincoln in Biggam (2008: 86), qualitative research involves studying “things in their natural settings, attempting to make sense of, or interpret phenomena in terms of the meanings people bring to them”. In this regard, Taylor (2005:101) terms qualitative methods as multimethod in focus, involving an interpretive, naturalistic approach to its subject matter. According to Taylor (2005:101), a qualitative research method involves the collection of a variety of empirical materials-case study, personal experiences, introspective, life story, interview,
observational, historical, interactional and visual texts that describe routine
and problematic moments and meaning in an individual's life.

As pointed out by Hann (2008:3), qualitative research allows investigators to
be dynamic and innovative and the methods in qualitative research evolve as
new technologies and social forums emerge. Qualitative data can be derived
from many sources using numerous techniques and these data may facilitate
insightful discoveries. However, Hann (2008:3) cautions that qualitative
research is time consuming and the data are complex. Without thoughtful
organisation, the researcher is likely to lose momentum.

Qualitative researchers are diverse and employ different epistemological
assumptions, research methods, methodologies and designs to answer their
research questions, but despite their differences, qualitative researchers face
common challenges and the following are some of the common challenges
according to Hann (2008:4):

- qualitative researchers generate enormous amount of relatively free-
  form data such as interview transcripts, field notes from direct
  observations, documents, records, artefacts, pictures and other non-
  quantitative information;
- organising cabinets full of objects and hundreds (or thousands) of
  pages of qualitative data is not easy, but it is vital to successful
  completion of the research project. Every project will be more efficient if
  the data are intelligently organised;
- the examination of large volumes of data requires an orderly system of
  analysis that focuses on answering the project’s research question(s).

Miller in Taylor (2005:102) viewed qualitative research as an approach to
study social research that involves watching people in their own territories and
interacting with them in their own language or terms. With regard to validity of
qualitative research, data collecting sources, such as interviews and
observations cannot be validated as easily as traditional data sources which
yield traditional measurements. To offset this, Taylor (2005:102) says that there are methods that a researcher may employ to improve the validity of data sources which include the following:

- using multiple sources to validate information;
- have participants to review information for accuracy;
- attempt to keep bias out of the data by reporting only what was observed and told, rather than inferring what was believed to have been told or drawing one's own conclusions.

Patton in Taylor (2005:103) summarised the major types of data sources used in qualitative research in the table that follows.

<table>
<thead>
<tr>
<th>Type of data</th>
<th>Description</th>
<th>Nature of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviews</td>
<td>Open-ended questions and probes yield in-depth responses about people’s experiences, perceptions, opinions, feelings and knowledge.</td>
<td>Verbatim quotations with sufficient context to be interpretable.</td>
</tr>
<tr>
<td>Observations</td>
<td>Fieldwork description of activities, behaviours, actions, conversations, interpersonal interactions, organisational or community processes, or any other aspect of observable human experience.</td>
<td>Field notes: rich detailed descriptions, including the context within which the observations are made.</td>
</tr>
<tr>
<td>Documents</td>
<td>Written material and other documents from organisational, clinical, or programme records, memoranda and correspondence, official publications and reports, personal diaries, letters, artistic works, photographs and memorabilia, as well as written responses to open-ended surveys.</td>
<td>Excerpts from documents captured in a way that records and preserves context.</td>
</tr>
</tbody>
</table>

Table 4.1. Types of data sources used in qualitative research (Michael Q. Patton in Taylor, 2005:103)
Now that the two conventional research methods of quantitative and qualitative have been extensively explained, this section will conclude by providing a summary of distinguishing characteristics of the two before describing the mixed methods and explaining the choice of the research methods adopted by this study. The distinguishing characteristics of the two methods are summarised in the table below:

<table>
<thead>
<tr>
<th>Question</th>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the purpose of the research?</td>
<td>To explain and predict</td>
<td>To describe and explain</td>
</tr>
<tr>
<td></td>
<td>To confirm and validate</td>
<td>To explore and interpret</td>
</tr>
<tr>
<td></td>
<td>To test a theory</td>
<td>To build theory</td>
</tr>
<tr>
<td></td>
<td>Outcome-oriented</td>
<td>Process-oriented</td>
</tr>
<tr>
<td>What is the nature of the research process?</td>
<td>Focused</td>
<td>Holistic</td>
</tr>
<tr>
<td></td>
<td>Known variables</td>
<td>Unknown variables</td>
</tr>
<tr>
<td></td>
<td>Established guidelines</td>
<td>Flexible guidelines</td>
</tr>
<tr>
<td></td>
<td>Static design</td>
<td>Emergent designs</td>
</tr>
<tr>
<td></td>
<td>Context-free</td>
<td>Context-bound</td>
</tr>
<tr>
<td></td>
<td>Detached view</td>
<td>Personal view</td>
</tr>
<tr>
<td>What are the methods of data collection?</td>
<td>Representative, large sample</td>
<td>Informative, small sample</td>
</tr>
<tr>
<td></td>
<td>Standardised instruments</td>
<td>Observation, interviews</td>
</tr>
</tbody>
</table>
What is the form of reasoning used? | Deductive analysis | Inductive analysis
--- | --- | ---
How are the findings communicated? Numbers | Statistics, aggregated data | Words
Formal voice, scientific style | | Narrative, individual quotes
Formal voice, literary style

Table 4.2. Distinguishing characteristics of qualitative and quantitative research methods (Leedy, 1997:106).

Each of the two research methods dealt with above has shortcomings. With the development and perceived legitimacy of both qualitative and quantitative research in the social and human sciences, Creswell (2009:208) states that mixed methods research, employing the data collection associated with both forms of data, is expanding. In defining the mixed methods approach, Creswell (2009:18) says that "it is the one in which the researcher tends to base knowledge claims on pragmatic grounds and it employs strategies of inquiry that involve collecting data, either simultaneously or sequentially to best understand research problems".

Data collection in mixed methods involves collecting both numeric information as well as textual information so that the final database represents both quantitative and qualitative information (Creswell, 2009:20). It focuses on collecting and analysing data both qualitatively and quantitatively in a single study and the reason being to expand understanding from one method to another, to converge or confirm findings from different data sources. Integrating the two types of data might occur at several stages in the process of research. Creswell (2009:212) indicates that integrating the two types of data may occur at the data collection, the data analysis, interpretation or some combination of places. In data collection, the integration of the two
methods might occur when combining open-ended questions on a survey with closed-ended questions on the survey.

As pointed out by Creswell (2009:217), mixed methods uses separate quantitative and qualitative methods as a means to offset the weaknesses inherent with one method with the strengths of the other method. In this case, qualitative and quantitative data collection is concurrent according to Creswell (2009). In this study, a mixed-method approach was used to collect data. Firstly, the two methods were integrated at data collection stage. Two questionnaires were used, one for the second-tier cooperatives and the other for the district managers and the local managers of the KwaZulu-Natal Provincial Department of Agriculture.

The questionnaire for the second-tier cooperatives used both open-ended and closed-ended questions. The closed-ended questions elicited numeric data (quantitative) while the open-ended questions attracted textual data (qualitative). The questionnaire for the district and local managers of the provincial department of agriculture (KZN) comprised of open-ended questions that attracted textual responses or data which is qualitative. The interview questions for the management of the Cooperatives Development Unit within DAFF were also mainly open-ended and elicited textual responses or data which is qualitative in nature.

Secondly, integration of the two methods was at analysis stage. Data collected from second-tier cooperatives in a form of a questionnaire was analysed using the Statistical Package for the Social Sciences (SPSS) which yields numbers and statistics and communicated by way of tables and graphs. Data collected from district managers and local managers of the KwaZulu-Natal Provincial Department of Agriculture through a questionnaire as well as from the management of the Cooperatives and Enterprise Development Unit of the DAFF was analysed using qualitative methods yielding textual data communicated in words and narratives of the participants’ experiences, perceptions, opinions, feelings and knowledge.
4.3. The Population

A basic rule that governs a descriptive survey according to Leedy (1997:203) is that nothing comes out at the end of a long and involved study that is any better than the care, the precision, the consideration and the thought that went into the basic planning of the research design, as well as the careful selection of the population. Leedy (1997:203) goes further to say that the results of a survey are no more trustworthy than the quality of the population or the representativeness of the sample. A population is defined as a group of persons, elements, or both with common characteristics that are defined by the investigator (DePoy and Gitlin, 2005:323). Oakshott (2009:60) defines a population as a general term used to refer to all groups or items being surveyed.

Setting boundaries is inextricably linked to important ethical considerations such as how people are selected, how they are informed of study procedures, and the information they share is managed and treated confidentially (DePoy and Gitlin, 2005:127). DePoy and Gitlin (2005:129) goes further to say that bounding a study is a purposeful action process that involves making conscious decisions based on a sound rationale that can be documented or articulated to the larger scientific community. This inclusion or exclusion of people, concepts, events, or other phenomena considerable implications for knowledge development and its transition or use in professional practice as indicated by DePoy and Gitlin (2005: 129).

One of the general characteristics of populations according to Leedy (1997:212), is that the population may be generally homogenous. The researcher must clearly define the characteristics of the population, which includes the individuals or units to be studied (DePoy and Gitlin, 2005:146). Once this has been done, the researcher chooses a set of procedures by which to select a subset or sample (discussed under sampling below) from the population that will participate in the study.
In this study, the population comprises all existing and registered second-tier agricultural cooperatives within the Zululand District of the province of KwaZulu-Natal. The general characteristics of populations, that they may be generally homogenous in nature apply here. The general characteristics of the population in this study are that the second-tier agricultural cooperatives have to exist within the district of Zululand and be registered with the Companies and Intellectual Property Commission (CIPC), an agency of the dti responsible for, among others, registration of cooperatives in South Africa.

According to the information received from the Zululand District office of the provincial department of agriculture, there were ten (10) registered second-tier agricultural cooperatives operating within the district. These cooperatives were verified with the CIPC and their registration status confirmed and subsequently constituted the population of this study. All these cooperatives were included in the study. The district of Zululand is constituted by five local municipalities, each with a local agricultural office. The local agricultural offices are managed by local agricultural managers under whose jurisdiction the existing second-tier agricultural cooperatives operate. The local managers report to the district manager. The district manager and all local managers reporting to him have been included in the study by way of responding to a questionnaire specifically designed for them. The reason for their inclusion was to obtain textual data represented by their opinions, perceptions and experience of the second-tier agricultural cooperatives under their jurisdiction to assist in answering the research questions.

Apart from obtaining data from the second-tier agricultural cooperatives and the district and local managers in the Zululand district, the study had to obtain data from the DAFF. The current government administration that came into being in 2009 saw the integration of the forestry and fisheries sectors into the Department of Agriculture. To formally integrate all the three sub-sectors of agriculture, forestry and fisheries, a process of restructuring the former Department of Agriculture was initiated by the honourable Tina Joemat-Pettersson, Minister of Agriculture, Forestry and Fisheries. In the old structure of the Department of Agriculture, the cooperative development function
resided in a sub-directorate within the Directorate: Agricultural Development Finance.

The outcome of the restructuring process saw the creation of a fully fledged Directorate of Cooperatives and Enterprise Development (refer to section 2.7 in chapter one). The head of the former sub-directorate of cooperative development became the acting director of the Directorate: Cooperatives and Enterprise Development with four assistant directors responsible for cooperative development issues. To obtain departmental perspective regarding the main question of this study, the Acting Director: Cooperatives and Enterprise Development within DAFF and the four assistant directors reporting to him were interviewed to obtain their views on the role of the department as well as the programmes and model(s) available in support of cooperatives, particularly the second-tier agricultural cooperatives.

4.4. Sampling

After defining the characteristics of a population, the researcher must choose a set of procedures by which to select a subset or sample from the population that will participate in the study (DePoy and Gitlin, 2005:146). The individuals or units from the population who actually participate in the study are called a sample and the process of selecting a sample or subset is called sampling (DePoy and Gitlin, 205:146). Sampling is also defined by Sarafino (2005:328) as the process of recruiting and selecting subjects for the research. According to Leedy (1997:204), the sample should be carefully chosen that, through it, the researcher is able to see all the characteristics of the total population in the same relationship that they would be seen if the researcher was to inspect the total population. The first step in selecting any sample design is to analyse the integral characteristics of the total population (Leedy, 1997:211).

The main purpose of sampling is to select a subgroup that accurately represents the population and the intention is to be able to draw accurate conclusions about the population by studying a smaller group of the population thereof (DePoy and Gitlin, 2005). For the results of the study
sample to be generalised, there has to be an accurate representation of the population from which the sample is drawn. According to Oakshott (2009:60), the alternative to a survey is to question every member of the population and when this is done, it is called a census. Mitchell and Jolley (2007:234) also mention that if the population is extremely small, the researcher may decide to survey every member of the population. However, Oakshott (2009:60) states that this method can be expensive and very difficult to carry out.

This study followed the census route and as such, there was no sampling. All ten existing second-tier agricultural cooperatives in the district of Zululand and all local agricultural managers in the district have participated in the study. This is because the population was very small, such that it was possible to include all members of the population in the study.

4.5. Data collection

Once the research design has been selected, a method of collecting the research data is required (Biggam, 2008:101). According to Leedy (1997:115), the researcher must have some structural concept or idea of the way in which the data will be secured and interpreted so that the principal problem under research will be resolved. In this regard, Leedy (1997:115) lists four fundamental questions which must be resolved with respect to data. He further states that if the researcher is to avoid serious troubles later on, these questions must be answered specifically, concretely and without mental evasion or reservation. These questions are:

- which data are needed to resolve the research problem?
- where are the data located?
- how will the data be secured?
- how will the data be interpreted?

As pointed out by Hann (2008:71), all good researchers take pains when they collect their data. Data collection must be carefully planned, executed and
controlled to gain scholarly respect. Hann (2008:71) states that a researcher’s methodology should be completed and described in a manner that allows peers and supervisors to understand the care and precision that went into the collection of data. The main objective of collecting information, regardless of how that information is collected is to obtain data that is both relevant and sufficient to answer a research question (DePoy and Gitlin, 2005:168). In order to collect data, Mouton (2001:100) says that some form of measuring instrument has to be used. In the human sciences, measuring instrument refers to instruments such as questionnaires, observation schedules, interviewing schedules and psychological tests.

Mouton (2001:69) mentions that it is usual to distinguish between primary and secondary information sources. Primary information sources according to Mouton (2001:69) refer to data which the researcher has to collect himself or whether it already exists in one form or another. It is usually available either as textual or numeric format. Oakshott (2009:58) says that when own data is collected for research purposes, such data is classified as primary data. Leedy (1997:101) defines primary data as “the data that lie closest to the source of the ultimate truth underlying the phenomenon”. It reflects the truth more faithfully than any other approach to truth.

In primary research, the researcher is responsible for the design of the research, the collection of the data and the analysis and summary of the information (Steward and Kamins, 1993:3). Primary data collection methods include, among others, administering questionnaires, conducting interviews, focus groups and observations. These are some of the data collection methods that a researcher would employ to collect primary data.

On the other hand, secondary information sources refer to written sources which discuss, comment, debate and interpret primary sources of information (Mouton, 2001:71). As indicated by Oakshott (2009:71), in many cases, it is unnecessary to carry out a survey as the relevant data has already been collected and published. Much of the data collected by government is available in the form of statistical publications and can be found in libraries or
on the internet. When data has already been collected, it is called secondary data (Oakshott, 2009:71).

Steward and Kamins (1993:1) refer to secondary information as consisting of sources of data and other information collected by others and archived in some form. Secondary data is easier to collect, but has one disadvantage of its quality being unknown, according to Oakshott (2009:71). The most significant advantages of secondary information relate to time and cost. It is much less expensive to use secondary data than to conduct a primary research investigation. In secondary research, the collection of data is not the responsibility of the researcher as data has been collected and archived already (Steward and Kamins, 1993:3). Secondary data can mainly be collected by way of conducting a review of literature in the chosen topic. Among others, sources of secondary data would include the internet and libraries.

Mouton (2001:100) states that the researcher has two options when collecting data, either to use the existing instrument or design and construct a new one. Both options have their pros and cons. Using an existing instrument saves time and costs according to Mouton (2001), but access to data using an existing instrument is also controlled because of proprietary, secret or competitive considerations. Designing and constructing a new measuring instrument also has challenges of the new instrument not being piloted or tested. Hann (2008:71) states that it is almost impossible to specify one “best” way of collecting data.

This is a non-experimental research that used surveys as research design techniques to collect data. McBurney and White (2004:214) define non-experimental research as the type of research in which the researcher does not have complete control over the conditions of the study. Four main research design techniques under non-experimental research have been identified by McBurney and White (2004) as observation, archival, case study and survey. After considering the different design techniques, a survey was found to be the most appropriate method of collecting data for this study.
Survey designs are primarily used to measure the characteristics of a population and the advantage of survey designs is that the investigator can reach a large number of respondents (DePoy and Gitlin, 2005:105).

Both primary and secondary data collection methods were used by this study. For collecting primary data, questionnaires and interviews were designed and constructed by the researcher. Two questionnaires, one for the second-tier agricultural cooperatives and the other for district and local managers were used to collect data to resolve the main questions of this study. Interviews were also conducted with the management of the Cooperatives and Enterprise Development Unit within DAFF to collect primary data.

To collect secondary data, an intensive review of literature was conducted using the library and internet. Various articles, journals and government publications were also utilised to collect secondary data for the purposes of this study. A review of literature revealed that there is very little secondary data available on the topic of this study. In the absence of secondary data, a survey research design technique using questionnaires and interviews was found to be the most appropriate and efficient way of reaching the population.

4.5.1. Questionnaires

As mentioned by Leedy (2007:191), a common place instrument for observing data beyond the physical reach of the observer is the questionnaire. Questionnaires are written instruments which may be administered face-to-face, by proxy, through the mail, or over the internet (DePoy and Gitlin, 2005:170). Oakshott (2009:62) mentions that designing a questionnaire is more of an art than a science and there is no universal design that would be suitable for all situations. According to Oakshot (2009:62), the design of any questionnaire depends of the following factors:

- the type of respondents;
- the method of data collection;
McBurney and White (2004:238) state that designing a questionnaire is a surprisingly complex procedure that involves great considerations. The first consideration is to determine the purpose of the questionnaire. This would assist in deciding whether to use open-ended or close-ended questions in the questionnaire. Open-ended questions according to McBurney and White (2004:239) permit respondents to answer in their own words and to reveal the reasoning behind their answers. On the other hand, close-ended questions limit respondents to alternatives determined in advance by the designer of the questionnaire and they are easier to code and analyse, and there are fewer off-the-wall responses.

With questionnaires, the questions are presented in written format and the subjects write their answers (Cozby, 1989:56). The questionnaire approach is generally cheaper and questionnaires can be administered in groups or mailed to respondents (Cozby, 1989:56). Questionnaires allow anonymity of the subjects and require that the subjects be able to read and understand the questions. With regard to the administration of the questionnaire, McBurney and White (2004:244) state that there are essentially four different modes of administering surveys which include face-to-face, written, computerised and telephonic methods. The best method of administering a questionnaire depends on the circumstances.

Two questionnaires were designed and constructed by the researcher for the purposes of this study. When designing the questionnaires for this study, all the above factors were taken into consideration. One questionnaire was designed and administered on existing second-tier agricultural cooperatives in the district of Zululand. The second questionnaire was designed and administered on the district and local managers in the district of Zululand. These questionnaires are briefly discussed below.
4.5.1.1. Questionnaire A

The first questionnaire for second-tier agricultural cooperatives comprises eight sections. The questionnaire comprised of both close-ended and open-ended type of questions. Most of the close-ended questions required respondents to answer yes or no, while others required respondents to choose from different variables by simply marking the relevant or applicable blocks. The open-ended questions required the respondents to elaborate and state their opinions. This instrument was self-administered by the researcher with the help of research assistants in the district of Zululand. The research assistant is a cooperative development coordinator in the district with relatively good understanding of the cooperative environment in the area.

The Chairpersons of second-tier agricultural cooperatives or their secretaries in the absence of chairpersons were targeted. Of the ten (10) second-tier agricultural cooperatives surveyed, seven (7) of them in the local municipalities of Nongoma and Ulundi were visited and completed the questionnaires in the presence of the researcher and the assistant. Three respondents each in the local municipalities of Abaqulusi (Vryheid), uPhongolo (Pongola) and eDumbe (Paulpietersburg) were mailed the questionnaire by way of e-mail. Once completed, the questionnaires were handed over to the respective local managers who brought them to the assistant researcher during the monthly management meetings usually held at the district office in KwaNongoma.

Section A

Section A focused on the description of the cooperatives, asking questions such as the year of establishment, the objectives of establishing the cooperative, the location, as well as the number of members. Questions in this section mainly aimed at obtaining the basic description of the cooperatives.
Section B
This section dealt with institutional arrangements, asking questions relating to governance, existence of a board of directors, convening of annual general meetings, availability of constitutions and whether members understand the cooperative constitution or not.

Section C
Section C focused on the type of services provided by the second-tier cooperatives. This section listed a number of typical services usually provided by second-tier cooperatives and required respondents to make a cross in the block next to a type of service(s) the cooperative is providing.

Section D
In this section, respondents were asked to indicate their capacity to provide the services selected or marked as the ones they are providing to their members. Questions such as whether the respondents have storage, transport or agro-processing facilities and whether the respondents have the capacity to provide training to members or conduct an audit of the members’ books were asked under this section.

Section E
Section E looked at the effectiveness of the respondents in providing support services to members. Respondents were asked questions such as the number of members that have signed formal market contracts with the assistance of the second-tier cooperatives, the type of value-adding opportunities the second-tier cooperative is engaged in and the number of members that have accessed financial support through the support of the respondents or second-tier cooperatives.

Section F
Questions relating to the organisational arrangements of respondents were dealt with in this section. Respondents had to choose between three options
and indicate how they were organised either by sector, locality, commodity or other.

**Section G**
This section focused on the nature of the external support received by respondents, either from government, non-government organisations or private sector. The aim of this section was to understand who is mostly supporting second-tier cooperatives between government, non-government and private sector organisations.

**Section H**
The last section captured the essence of the study. It required respondents to indicate the nature of support they currently receive from the DAFF. The respondents were further asked to give their opinions in terms of what they think should be the role of the DAFF in supporting them to ensure that they will be able to effectively provide services to their members.

Again, a list of general services provided by second-tier cooperatives was provided and respondents were asked to circle the appropriate service and indicate what the role of the DAFF should be for each of the circled service to ensure that they are able to support their primary members.

**4.5.1.2. Questionnaire B (District manager and local managers, Zululand District)**

The second questionnaire was designed, constructed and administered on the district and local managers and once more, the research assistant helped in distributing the questionnaires to the managers as well as collecting them once completed. This questionnaire comprised mainly of open-ended questions which solicited personal opinions, experience and knowledge of respondents about the second-tier cooperatives under their jurisdiction. The two local managers of Ulundi and Nongoma, as well the district manager based in KwaNongoma was personally given the questionnaires to complete by the research assistant.
The electronic copy of the questionnaire was e-mailed to the local managers of eDumbe, Abaqulusi and uPhongolo local offices. Once questionnaires were completed, the research assistant was alerted and personally collected them. The other three local municipalities brought their completed questionnaires along with them to their scheduled monthly management meetings where the assistant researcher collected them. This questionnaire comprised of seven questions, mainly open-ended requiring respondents to express their opinions on a number of variables.

Question one sought to understand the main drivers for establishing second-tier agricultural cooperatives from the perspective of the managers. The aim of this question was to establish the main reason for establishing cooperatives of second level by primary members.

The second question required respondents to indicate the type of services currently provided by the second-tier agricultural cooperatives in their respective areas of jurisdiction.

Question three sought to understand the ideal situation in terms of services to be provided by the second-tier cooperatives.

The fourth question solicited opinion from the respondents as to whether the existing second-tier cooperatives have the capacity to provide the services they were established to provide.

Question five concerned itself with the manner in which the existing second-tier cooperatives were organised (locality, commodity or by sector) in the municipalities.

The sixth question focused on understanding the type of support services currently being provided by the DAFF while the last question (7) dealt with the ideal situation in terms of which support services should be provided by the DAFF to strengthen the existing second-tier cooperatives.
4.5.2. Interviews

The second data collecting method employed by this study is the interviews. DePoy and Gitlin (2005:169) state that interviews are conducted through verbal communication and may occur face-to-face, telephonically, or through virtual communication and may either be structured, semi-structured or unstructured. An interview is a direct method of obtaining information in a face-to-face situation (Behr, 1988:150). Biggam (2008:102) provides a hint that if one intends interviewing his subjects, the questions should be planned beforehand. The interviewer has the choice to either impose a rigid structure to his interview by sticking strictly to pre-arranged questions or introduce a degree of flexibility to the interview process by using a semi-structured questionnaire.

This study used qualitative semi-structured interviewing with open-ended questions to collect data. These interviews were conducted with the Acting Director: Cooperatives and Enterprise Development as well as the assistant directors in the unit. Semi-structured interviews comprised of open-ended questions that encouraged and elicited meaningful responses from participants. This type of interview gave the researcher an opportunity to probe deeper when responses were not clear and solicited more information responding to the questions.

Permission to involve the department in the study was sought and granted by the DAFF on condition that such interviews do not interfere with the duties of participants and are also not conducted during office hours (see approval letter as addendum). Arrangements were made with participants (assistant directors) to conduct the interviews during tea breaks and lunches. The interview with the Director: Cooperatives and Enterprise Development was conducted after hours. The aim of the interviews was to obtain departmental perspective with regard to the role which should be played by the department in promoting and supporting second-tier agricultural cooperatives.
4.6. Data Analysis

According to Mouton (2001:108), ultimately, all fieldwork culminates in the analysis and interpretation of data. One question to consider is how the questionnaire is to be scored and analysed (McBurney and White, 2004:244). This according to McBurney and White (2005) should be done in advance of collecting data for any research project. The researcher should also decide on the type of statistics to be used and be able to draw proper conclusions from the data. The data collected has to be analysed and summarised in ways that make it possible to see the patterns that exist in them. This process according to McBurney and White (2004:140) includes presenting data in tables, graphs and numerical summaries. Analysis according to Mouton (2001:108), involves “breaking up” the data into manageable themes, patterns, trends and relationships.

In preparation for analysis, data was captured using a statistical analysis tool called IBM SPSS 20 with the assistance of the Academic Research Support Unit of Unisa. SPSS is a computer software package that stands for “Statistical Package for the Social Sciences”. As described by Taylor (2005:135), computer analysis can save the researcher countless time by reducing the amount of time needed to analyse data by removing most of the tedious work in recording, sorting, tabulating, and analysing data.

Qualitative data analysis involves coding the data, dividing the text into small units, assigning a label to each unit and then grouping the codes into themes (Creswell and Plano Clark, 2011:208). The coding process therefore becomes the core feature of qualitative data analysis. According to Creswell and Plano Clark (2011:208), coding is the process of grouping evidence and labelling ideas so that they reflect an increasingly broader perspective. As described by Hann (2008,86), the process of coding data is iterative and consists of multiple stages that prepare and format raw data so that it is available for evaluation, synthesis and analysis. Qualitative data (in a text format) collected from the Zululand district managers was coded, categorised, classified and
labelled to ensure that the researcher can make sense of such collected data and to highlight important findings.

IBM SPSS enables the researcher to get a quick look at the data collected, formulate hypothesis for additional testing and then carry out statistical and analytical procedures to help clarify relationships between variables, create clusters, identify trends and make predictions (www.ibm.com/software/analytics/spss/products/statistics/base). Data captured on SPSS reflect variables such as the mean, average and frequency and is translated into percentages and cumulative percentages. Captured data were then analysed using tables and graphs. A table is described by McBurney and White (2004:140) as a display of data in numerical form in the rows and columns of a matrix while a graph is a representation of data by spatial relationships in a diagram.

McBurney and White (2004:140) maintain that the old saying that a picture is worth a thousand words, is literally true of graphs and tables as they help us to summarise data and understand the relationships between variables. The responses to all the questions were summarised and graphical representations made to further elaborate on the results.

4.7. Ethical issues

As pointed out by DePoy and Gitlin (2005:133), health and human service professionals most frequently set boundaries through sampling plans that involve human subjects. It is within this context that researchers must follow important ethical considerations and legally binding actions when conducting research. The term “ethics” refers to a set of moral principles or values to govern people’s conduct, such as in their work activities (Sarafino, 2005:65). Before conducting a study, the researcher would have to determine whether conducting such a study is ethical and consistent with the American Psychological Association’s (APA) principles of right or wrong (Mitchell and Jolley, 2007:35). Should there be doubts that the study may not be conducted
ethically, Mitchell and Jolley (2007:35) say that such a study should not be conducted.

APA has developed an extensive document known as the Ethical Principles of Psychological and Code of Conduct of 2002 (McBurney and White, 2004:50). Mitchell and Jolley (2007:35) say that this document is often referred to as the Principles. In addition to the Principles, there is also the American Psychological Association’s Ethical Principles in the Conduct of Research With Human Participants that researchers should consult in deciding whether the study is ethical (Mitchell and Jolley, 2007:35). By consulting these two documents the researcher should be able to make an informed decision about whether the participants’ rights had been protected and whether the novice researcher had lived up to his/her responsibilities (Mitchell and Jolley, 2007:35).

According to Mouton (2001:239), ethical issues arise from our interaction with other people, other beings and the environment, especially at the point where there is potential or actual conflict of interest. Mouton (2001:239) further indicates that scientists have the rights to search for the truth, but not at the expense of the rights of other individuals in society. The following are some of the ethical issues that need to be considered by a researcher before conducting a research as extracted from the APA’s code of ethics (McBurney and White, 2004:51-57):

- **Responsibility**
  The decision to conduct research often presents a conflict between two sets of values. Often there is a conflict between (1) the commitment to expanding knowledge of behaviour and the potential benefit the research for society and (2) the cost of the research to the participants. The researcher has great responsibility to ensure that ethical principles are followed and the conflict is resolved.
• **Protection from harm**
  The second ethical issue to be considered by researchers concerns the stress that subjects experience while participating in research. Stress in an experiment may either be physical or psychological. In judging the acceptability of stress, the researcher must assess how stressful the situation is likely to be compared with activities of everyday life.

• **Informed consent**
  The APA guidelines require researchers to “obtain the informed consent of the individual”. Informed consent means that the subject is given an accurate perception of the risks involved before he or she consents to participate in the study. This is to ensure that the participant is taking part in the study voluntarily and is aware of what is about to happen. Participants must be given all the information necessary about factors that might affect their willingness to participate, such as risks and adverse effects.

• **Privacy, anonymity, confidentiality and freedom from coercion**
  Researchers must take care to protect the privacy of individuals. The idea of freedom from coercion is part of a larger question of civil rights and the right to privacy, in particular. People have the right not to be disturbed, as well as the right not to reveal certain information about themselves. The researcher must remember at all times that the participant is doing a favour by taking part in a study and the freedom to refuse to participate in the study or withdraw at any time without penalty should be made clear to the participant at the beginning of the research.

  Coupled with privacy is the issue of anonymity and confidentiality. Anonymity according to Sarafino (2005:72) means that the identity of participants is unknown or masked and this can be achieved either by not keeping records of participants’ names or other personal
identifiers. Confidentiality on the other hand, means that any information obtained about the individuals’ research participants is not divulged to others, unless it is authorised by participants or required by law.

- **Deception**
  Some experiments require participants to be naïve about the hypothesis that deceiving participants about a true purpose of their research participation has almost become standard practice. The APA ethics code requires that a participant who has been deceived be provided with a sufficient explanation of the deception as soon afterward as feasible.

- **Debriefing**
  As soon as feasible after the individual participants have completed their part in the experiment, they should be informed about the nature of the study and have any questions answered and misconceptions removed. This process is known as debriefing. The traditional solution to the problem of deception is to thoroughly debrief the subjects after the experiment.

Strict ethical principles were adhered to in this study. Respondents participated in the study out of their own free will. Once questionnaires were designed and constructed, the researcher sought ethical clearance from the Ethics Committee of Unisa to administer them (approval attached as annexure 5). Ethical Clearance was subsequently granted. Both questionnaires included a paragraph before the questions dealing with the ethical issues of anonymity, confidentiality, freedom from coercion and the purpose of the study. The estimated time to complete the questionnaire was also provided in the questionnaires.

Apart from ethical issues included on the questionnaires themselves, an informed consent was also developed and accompanied both questionnaires.
The informed consent clearly articulated the objectives of the study and the possible benefits for the respondents. Once more, respondents were informed that they may choose to withdraw from the study at any time during the study without any negative consequences. The ethical issue of anonymity and confidentiality was also considered and the informed consent indicated to respondents that the information provided and the results of the study will be completely confidential and responses anonymous.

Respondents were also informed that the results of the study will be made available through the local agricultural offices. The information provided will be treated with strict confidentiality. With regard to anonymity, respondents were also asked not to write any name or surname or any personal details on the questionnaire as what is important is their honest information and not the personal details.

Apart for consulting the American Psychological Association’s Ethical Principles of Psychological and Code of Conduct, the Code of Practice for the Safety of Social Researchers as developed by the Social Research Association (SRA) was also consulted and taken into consideration. The code is designed for research funders, employers, research managers and researchers carrying out fieldwork. It focuses on safety in interviewing or observation in private settings, particularly in unfamiliar environments in general. The aim of the code is, among others, to point out safety issues which need to be considered in the design and conduct of social research in the field and to encourage procedures to reduce the risk.

There are a number of dimensions to the risk that social researchers may face when involved in close interaction ([http://www.thे-sra.org.uk/staying safe.htm](http://www.the-sra.org.uk/staying safe.htm)). These include the following:

- risk of physical threat and physical abuse;
- risk of psychological trauma, as a result of actual or threatened violence or the nature of what is disclosed during the interaction;
• risk of being in a compromising situation, in which there might be accusations of improper behaviour;
• increased exposure to risks of everyday life and social interaction, such as road accidents and infectious illness;
• risk of causing psychological or physical harm to others.

The intention of the code is to point out potential dangers to researchers and assist in minimising the anxieties or insecurities which might affect the quality of the research. Among other things, the code stipulates that a researcher should plan for safety in the research design, assess risk, prepare and set up fieldwork, take precautions in interviewing respondents, design strategies for handling risk situations and consider the safety of respondents.

The interviews with the officials in the DAFF took place in their offices and as such, there were no safety concerns for both the respondents and researcher. Before conducting fieldwork to collect data from second-tier cooperatives, the research assistant was consulted to map out the areas to be visited, safety profiles of the area, safety of the respondents and to assess the general risk profile of the area. The research assistant worked with respondents on a regular basis and has a relatively good understanding of the area.

To minimise the risk, the researcher used his private car and was accompanied by the research assistant who is well known by the respondents. Meetings were held at the premises of respondents where they were comfortable. The researcher was briefed on the cultural norms, political and religious orientations, as well as beliefs of the respondents to bear in mind when engaging respondents.

4.8. Conclusion

This chapter outlined and discussed the methodology employed by the study to collect data. It provided in detail an explanation on how the study was conducted. The study employed mixed methods approaches of collecting data, integrating both quantitative and qualitative methods. The two methods
were integrated both at data collection and analysis stages. At the data collection stage, two questionnaires were constructed (one for second-tier agricultural cooperatives and the other for district and local managers in the Zululand District). The questionnaire for second-tier cooperatives comprised of both open-ended and closed-ended questions. Open-ended questions elicited textual data which is qualitative in nature, while closed-ended questions attracted numeric data which is quantitative.

The second questionnaire for district and local managers in Zululand comprised of open-ended questions which yielded textual data (qualitative). So were the interview questionnaires for the DAFF which comprised of open-ended questions (qualitative). At data analysis stage, data from the second-tier cooperatives was analysed using a quantitative statistical method called the Statistical Package for Social Sciences (SPSS) which yielded numeric data.

In this study, the population comprised of all existing and registered second-tier agricultural cooperatives within the Zululand District of the province of KwaZulu-Natal, as well as all the five local managers and the district manager in the Zululand District. With regard to sampling, the study followed the census approach and included all members of the population as a result of the size of the population being quite small, such that it was possible to include everybody.

For the purposes of collecting data in this study, the researcher used both primary and secondary data collection methods. For collecting primary data, questionnaires and interviews were designed and constructed by the researcher. Secondary data was collected by way of conducting an intensive review of literature using the library and internet. Various articles, journals and government publications were also utilised to collect secondary data for the purposes of this study. The review of literature yielded insignificant secondary data on the topic of this study. In the absence of secondary data surveys, a non-experimental research design technique was employed making use of questionnaires and interviews to collect data.
In preparation for analysis, data was captured using a statistical analysis tool called IBM SPSS 20 with the assistance of the Academic Research Support Unit of Unisa. Captured data was then analysed using tables and graphs. Strict ethical principles were adhered to in this study. Ethical principles in the conduct of research with human participants as developed by the American Psychological Association (APA) were followed and adhered to. Respondents participated in the study out of their own free will.

The two questionnaires designed included a paragraph before the questions that dealt with ethical issues. Over and above that, an informed consent was developed and accompanied the questionnaires as a covering letter. The informed consent covered in detail the ethical issues to the respondents. The questionnaires, interview questions and informed consent were submitted to the Ethics Committee of Unisa seeking ethical clearance which was subsequently granted.

The main challenge encountered in the study when collecting data was that some respondents were unable to adequately converse well in English and subsequently found it relatively difficult to understand the questionnaires and had to be assisted in interpreting and completing the questionnaires. The research assistant in the district played a crucial role in interpreting the questionnaires and capturing of responses on the questionnaires.

The next chapter presents and discusses the findings of this study.
CHAPTER 5
PRESENTATION AND DISCUSSION OF THE RESULTS

5.1. Introduction

The previous chapter examined the methodology applied to collect data for this study. The aim of this study was to determine the role which should be played by the Department of Agriculture, Forestry and Fisheries (DAFF) in strengthening the existing second-tier agricultural cooperatives in South Africa. Once determined, it is anticipated that it could help shape the manner in which DAFF can assist second-tier cooperatives to ensure that they have sufficient capacity to provide support services to their primary member cooperatives.

The collected data has to be prepared and managed before being analysed. Depoy and Gitlin (2005) state that the collection of data is followed by the analysis of the same data. At the conclusion of data collection, the researcher will have many numerical and descriptive responses to each of the questionnaires, interviews and observations (Depoy and Gitlin, 2005). The process of organising and preparing data follows immediately after collection of such data. Usually, data will be entered into a computer programme for analysis purposes.

The purpose of this chapter is to report on the findings from the questionnaires and interviews conducted. The responses to the questionnaires were captured using the statistical package for social sciences (SPSS) with the assistance of the Academic Research Support Unit at Unisa. Data would be evaluated against the hypothesis proposed in chapter 1 (see section 1.5) for the purposes of establishing whether the data do support the hypothesis or not. This will be followed by concluding remarks in terms of the issues that emerged in this chapter.
5.2. Description of the cooperatives surveyed

In order to effectively answer the main question of this study, there was a need to first understand the nature of second-tier agricultural cooperatives that require support from the DAFF. This information is contained in the questionnaire constructed for completion by second-tier cooperatives. The first section of the questionnaire looked at the description of the respondents focusing on the age, the main reason for establishing the second-tier cooperative, number of members, the location, as well the average distance between the second-tier cooperative and its’ members. The following table indicates the age of the cooperatives surveyed where N=10.

5.2.1. Age of cooperatives

<table>
<thead>
<tr>
<th>Year</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>1995</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>2003</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>2005</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>2007</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>2009</td>
<td>4</td>
<td>40.0</td>
</tr>
<tr>
<td>2010</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.1: Age of cooperatives surveyed

Ten existing second-tier agricultural cooperatives in the district of Zululand were surveyed. According to the table above 60% of the cooperatives surveyed are less than five years old which means that they were established between 2007 and 2010 (as at 2012). One cooperative (10%) is more than twenty years old having been formed in 1984. Another 20% of the cooperatives are between six and ten years of age. Figure 1 on the next page is a graphical representation of the age of cooperatives surveyed.
Figure 5.1: Age of cooperatives surveyed

The above figure is a graphical representation of the information in table 5.1. In terms of the graph, four of the ten second-tier cooperatives surveyed were established in 2009, one in 2010 and the other five established in 2007, 2005, 2003, 1995 and 1984, respectively.

5.2.2. Reasons for establishing second-tier cooperatives

One of the key questions of this study is the reason driving primary agricultural cooperatives to establish second-tier agricultural cooperatives. Five key services generally provided by second-tier cooperatives in the sector were listed on the questionnaire and respondents were asked to list those services which the second-tier cooperatives were established to provide. The results are illustrated in table 5.2. and the graph on the next page.
Reasons for establishing the cooperative | Responses | Percent in cases |
---|---|---|
Input supply | 10 | 25,6% | 100% |
Collective marketing | 10 | 25,6% | 100,0% |
Value adding | 4 | 10,3% | 40,0% |
Capacity building | 7 | 17,9% | 70,0% |
Sourcing of financial support | 8 | 20,5% | 80,0% |
Total | 39 | 100,0% | 390,0% |

Table 5.2: Reasons for establishing second-tier cooperatives (Responses from participating second-tier cooperative)

Figure 5.2: Graphical representation of the reasons behind establishment of second-tier cooperatives

Analysis of cooperative formation points out two major reasons for the formation of agricultural cooperatives, namely, to solve market failures and to address distortions in the supply chain. According to table 5.2, the main
drivers for establishing second-tier agricultural cooperatives are for collective sourcing of inputs and marketing of members’ products. All the ten respondents indicated that these services (input supply and marketing) were the main reasons for their establishment according to table 5.2. Only 40% of the respondents wanted to provide value-adding services for their members. Seventy percent (70%) of respondents were established to provide capacity building to their members while 80% of the respondents were established to assist members to source financial support.

<table>
<thead>
<tr>
<th>Reasons for establishing agricultural cooperatives</th>
<th>Number of local managers responded</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inputs supply</td>
<td>5</td>
<td>100.0</td>
</tr>
<tr>
<td>Collective marketing of products</td>
<td>5</td>
<td>100.0</td>
</tr>
<tr>
<td>Value adding</td>
<td>3</td>
<td>60.0</td>
</tr>
<tr>
<td>Capacity building</td>
<td>4</td>
<td>80.0</td>
</tr>
<tr>
<td>Sourcing of finance</td>
<td>2</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Table 5.3.: Reasons for establishing second-tier cooperatives as provided by local managers in the Zululand district

All the five local managers that participated in the study cited the provision of inputs and marketing as key drivers towards the establishment of second-tier cooperatives. They have also indicated that as much as the formation of second-tier cooperatives is driven by provision of support services, there are currently no tangible services being provided by the existing second-tier cooperatives in their respective areas of jurisdiction. Ideally, they would want to see second-tier cooperatives providing a range of support services to their members, including collective sourcing of inputs, marketing of members products, provision of training, assisting members in sourcing financial support, provide mechanisation services and agro-processing facilities as well as transportation service.
5.2.3. Distance between the second-tier cooperatives and their primary member cooperatives

<table>
<thead>
<tr>
<th>Distance (km)</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>15</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>240</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>30</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>40</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>50</td>
<td>3</td>
<td>30.0</td>
</tr>
<tr>
<td>60</td>
<td>2</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.4: Distance between the second-tier co-ops and their primary members in kilometres

In terms of the distance between the second-tier cooperatives and their members one second-tier cooperative has its members stretched up to 240 km. Ninety percent (90%) of the respondents have their members within 60 km from their premises. From the table above it could be deduced that there is a need for transport services between the second-tier cooperatives and its members.

5.2.4. Number of members of the second-tier cooperatives

<table>
<thead>
<tr>
<th>Number of members</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid 2</td>
<td>2</td>
<td>20.0</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>20.0</td>
</tr>
<tr>
<td>8</td>
<td>2</td>
<td>20.0</td>
</tr>
<tr>
<td>13</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>15</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>55</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.5: Number of members of second-tier cooperatives
Ten percent (10%) of the respondents have the largest number of members at fifty five (55) members. Seventy percent (70%) of the respondents have membership of less than ten (10) while only twenty percent (20%) have membership of between eleven (11) and twenty (20). In total, the ten (10) second-tier cooperatives that participated in the study have a collective membership of one hundred and one (101) members (table 5.5). The importance of the number of members in a cooperative has been well postulated by Munkner (1995). He argued that cooperatives with a small number of members happen to be strong in terms of governance because they have fewer prospects for conflicts and group dynamics, but cannot produce volumes. On the other hand, for cooperatives to be economically viable, they need to produce volumes of a certain size. This he termed “cooperative dilemma”.

5.2.5. Institutional arrangements

Under institutional arrangements questions posed to respondents related to whether they have democratically elected a board of directors and whether they have constitutions governing their operations and if this is understood by all members. The results are illustrated in the tables on the next page.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>yes</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>no</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>10</td>
</tr>
</tbody>
</table>

Table 5.6: Number of cooperatives with a democratically elected board of directors representative of all the members and holding annual general meetings

The results indicate that 90% of the second-tier cooperatives that participated in this study have a democratically elected board of directors, representative of all the members as reflected in table 5.6. The same 90% cooperatives hold regular general meetings of members including the annual general meeting and provide feedback to members (table 5.7.).
Eighty percent (80%) of the second-tier cooperatives have a valid constitution separate from those of their primary members (table 5.8). However, the study revealed that 40% of the second-tier cooperatives surveyed do not understand their constitution which poses a threat to good governance (table 5.9).

### 5.3. Services provided by second-tier cooperatives

Table 5.10 on the next page provides a list of services that should be provided by second-tier cooperatives in agriculture. The respondents were asked to indicate the service(s) they currently provide to their primary members. According to table 5.2, all respondents indicated that the main reason for their establishment was to provide inputs to their primary members, but table 5.10
indicates that only ninety percent (90%) of them are indeed providing this service.

All the respondents indicated that marketing of their members’ produce played a key role in their establishment and the study corroborated this as all the respondents are providing this service. However, only forty percent (40%) and twenty percent (20%) of the respondents have storage and transport facilities, respectively. These are key facilities necessary if second-tier cooperatives are to provide inputs and marketing services to their members.

Furthermore, only twenty percent (20%) of the respondents indicated that they provide value-adding services and assist members in interpreting labour laws, tax, auditing and procurement issues. In terms of capacity building, seventy percent (70%) of the respondents indicated that they are providing training and capacity building to their members.

<table>
<thead>
<tr>
<th>Responses</th>
<th>N</th>
<th>Percent</th>
<th>Percent of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>input supply</td>
<td>9</td>
<td>15.3%</td>
<td>90.0%</td>
</tr>
<tr>
<td>marketing services</td>
<td>10</td>
<td>16.9%</td>
<td>100.0%</td>
</tr>
<tr>
<td>storage facilities</td>
<td>4</td>
<td>6.8%</td>
<td>40.0%</td>
</tr>
<tr>
<td>transportation of members' produce to the markets</td>
<td>2</td>
<td>3.4%</td>
<td>20.0%</td>
</tr>
<tr>
<td>capacity building of members in both business and technical issues</td>
<td>7</td>
<td>11.9%</td>
<td>70.0%</td>
</tr>
<tr>
<td>provide agro processing facilities/services</td>
<td>2</td>
<td>3.4%</td>
<td>20.0%</td>
</tr>
<tr>
<td>facilitate preferential procurement deals for members</td>
<td>3</td>
<td>5.1%</td>
<td>30.0%</td>
</tr>
<tr>
<td>leverage financial support for members</td>
<td>2</td>
<td>3.4%</td>
<td>20.0%</td>
</tr>
<tr>
<td>set and maintain quality standards for members products</td>
<td>1</td>
<td>1.7%</td>
<td>10.0%</td>
</tr>
<tr>
<td>encourage members to save</td>
<td>7</td>
<td>11.9%</td>
<td>70.0%</td>
</tr>
<tr>
<td>negotiate discounts on behalf of members</td>
<td>4</td>
<td>6.8%</td>
<td>40.0%</td>
</tr>
<tr>
<td>assist members in interpreting labour laws</td>
<td>2</td>
<td>3.4%</td>
<td>20.0%</td>
</tr>
<tr>
<td>assist members with tax issues</td>
<td>2</td>
<td>3.4%</td>
<td>20.0%</td>
</tr>
<tr>
<td>assist members with auditing issues</td>
<td>2</td>
<td>3.4%</td>
<td>20.0%</td>
</tr>
<tr>
<td>assist members with tendering and procurement issues</td>
<td>2</td>
<td>3.4%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Total</td>
<td>59</td>
<td>100.0%</td>
<td>590.0%</td>
</tr>
</tbody>
</table>

Table 5.10: Services provided by second-tier cooperatives
5.4. Levels of capacity in existing second-tier Agricultural cooperatives

One of the specific objectives of the study was to understand whether the second-tier agricultural cooperatives have the capacity to provide support services to their members or not. Again a list of services generally provided by second-tier agricultural cooperatives and facilities necessary to provide these services was provided and respondents asked to indicate their capacity by ticking either yes or no next to the service or facility indicated. The results are illustrated in the following tables 5.9 to 5.12.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>6</td>
<td>60.0</td>
</tr>
<tr>
<td>no</td>
<td>4</td>
<td>40.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.11: Number of respondents procuring inputs in bulk for their members

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>40</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Table 5.12: Number of respondents with storage facilities

Table 5.11 above show that sixty percent (60%) of the respondents are not assisting members to procure inputs. Only forty percent (40%) of the respondents have storage facilities as indicated by table 5.12. With regard to providing services such as assistance with tax, labour, auditing and preferential procurement only twenty percent (20%) of respondents indicated that they have capacity to provide this type of assistance to their members and they are supporting their members (table 5.10).
Table 5.13: Number of respondents with agro-processing and transportation facilities

Although forty percent of the respondents indicated that they were established to provide among others value adding and agro-processing services (table 5.2), only twenty percent (20%) translating into two second-tier cooperatives have agro-processing facilities and are assisting their members in this regard (tables 5.10 & 5.13). However, it emerged during data collection that even those respondents that claim to have agro-processing facilities cannot claim ownership to these facilities and they (agro-processing facilities) belong to third parties. The cooperatives only have a relationship or agreement with the owners and utilise them as an when they have produce that need to be processed. The same twenty percent (20%) of the respondents have transport facilities (table 5.10 & 5.13). With regard to understanding issues of quality and standards as being critical to accessing markets, ten percent (10%) of respondents claim to have some form of knowledge of these issues (table 5.10).

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>2</td>
<td>20.0</td>
</tr>
<tr>
<td>no</td>
<td>8</td>
<td>80.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.14: Level of education of board members

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Primary (grade 0 to 7)</th>
<th>Secondary (grade 8 to 2)</th>
<th>Tertiary (post matric)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of board members</td>
<td>16</td>
<td>47</td>
<td>25</td>
</tr>
</tbody>
</table>

Table 5.14: Level of education of board members
Collectively there are 16 board members with primary education, 47 with secondary education and 25 with post matric education (table 5.14 and figure 5.3). All local managers that participated in the study indicated that the second-tier cooperatives in their respective areas do not have capacity to provide services to their members. Generally, it could be concluded that the respondents in this study do not have sufficient capacity to provide the nature of services that drove their establishment (table 5.15).

<table>
<thead>
<tr>
<th></th>
<th>frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid no</td>
<td>5</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.15.: Capacity of the second-tier cooperatives to provide support services to their members (from local manager’s perspective)
5.5. Effectiveness of second-tier cooperatives in providing services to their members

To further understand the nature of the second-tier agricultural cooperatives in the country respondents were asked to respond to questions that sought to determine how effective they are in delivering support services to their members. Perhaps it would only be proper to begin by defining the word ‘effectiveness’. According to the business dictionary effectiveness is described as the degree to which objectives are achieved and the extent to which targeted problems are solved (www.businessdictionary.com/definition/effectiveness.html). In this regard questions such as the number of members assisted to sign formal market contracts, the ability of respondents to conduct skills needs analysis and provide the training required, number of members assisted to source financial support, number of members engaged in value adding services and number of members securing preferential deals with the assistance or support of the respondents.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid 0</td>
<td>0</td>
<td>50.0</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>6</td>
<td>2</td>
<td>20.0</td>
</tr>
<tr>
<td>20</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.16: Number of members securing formal markets with the assistance of respondents

According to the table 5.16 above, 50% of the respondents have not been able to assist any of their members to secure formal market contracts. There is only one respondent that has assisted 20 members to sign formal market contracts and this is in the poultry production commodity (broilers).
Table 5.17: Second-tier cooperatives with storage facilities

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid no</td>
<td>60</td>
<td>60</td>
</tr>
</tbody>
</table>

Table 5.18: Respondents with the ability to conduct skills needs analysis

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid yes</td>
<td>4</td>
<td>40.0</td>
</tr>
<tr>
<td>no</td>
<td>6</td>
<td>60.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.19: Respondents that providing training to their members themselves

Table 5.17 above indicate that sixty percent (60%) of the respondents do not have storage facilities which then makes it difficult if not impossible to store inputs or members' products until prices shall have stabilised. So, even if respondents are claiming to be sourcing inputs in bulk and provide marketing services to their members, they might not be effective in doing that without any storage facilities. Forty percent of respondents have the ability to conduct skills need assessment to identify skills gaps (table 5.18) and fifty percent provide training to members themselves (table 5.19)

Table 5.20: Number of members assisted by respondents to source financial support

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>0</td>
<td>60.0</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>20</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>8</td>
<td>80.0</td>
</tr>
<tr>
<td>Missing</td>
<td>2</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>
According to table 5.20 above 60% of respondents have never been successful in soliciting financial support on behalf of their members. Only 20% of the respondents have been able to assist 20 and 5 members respectively to secure financial support for their business operations.

5.6. External support to second-tier agricultural cooperatives

The purpose of this section was to understand who provides what kind of support to second-tier cooperatives in South Africa. Respondents were given three options (government, non-governmental and private sector organisations) and asked to indicate which one of these is providing support and what kind of support are they providing.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid yes</td>
<td>8</td>
<td>80.0</td>
</tr>
<tr>
<td>Valid no</td>
<td>2</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.21: Number of respondents that received external support

Table 5.21 above indicate that eighty percent (80%) of the respondents have received some form of external support. Eight of the respondents have received external support from government organisations (table 5.22) such as the Department of Agriculture, the dti and the Department of Economic Development and Tourism. The nature of support from government organisations ranges from training and capacity building, inputs supply, mechanisation, infrastructure, transportation of produce and financial support. The Department of Agriculture has mainly been responsible for technical support, mechanisation, input supply, infrastructure and capacity building. The dti has assisted with financial support while the Department of Economic Development and tourism has provided assistance with training and capacity building.
Table 5.22: Number of respondents that received external support from government organisations

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>8</td>
<td>80.0</td>
</tr>
<tr>
<td>no</td>
<td>2</td>
<td>20.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.23: Number of respondents that received financial support from non-governmental organisations and the private sector.

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>2</td>
<td>20.0</td>
</tr>
<tr>
<td>no</td>
<td>8</td>
<td>80.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.23 indicates that two of the respondents have received financial support from non-governmental organisations and the private sector. With regard to private sector support again only two cooperatives have benefited from private sector initiatives mainly with regard to market access. The public sector is major a provider of external support to second-tier cooperatives in the country. This scenario reflects lack of public-private partnership initiatives in the cooperative movement.

5.7. The role of the Department of Agriculture, Forestry and Fisheries in strengthening the existing second-tier agricultural cooperatives

The main objective of this study was to determine or establish the role which the DAFF should play in strengthening the existing second-tier agricultural cooperatives in South Africa. According to Myeni (personal interview), Head of the Cooperatives Unit within DAFF, the role of DAFF in promoting and supporting agricultural cooperatives in general needs to be looked at within the context of the so called “Polokwane Resolutions” taken at the 52nd National Conference of the African National Congress in 2007, in Polokwane, Limpopo province.
One of the key resolutions of the conference relevant to the role of DAFF in promoting and supporting cooperatives is the one on rural development, land reform and agrarian change. The conference noted that the challenges of urban poverty and migration to cities are inseparably bound with the struggle to defeat poverty, create work and build a better life in rural South Africa and further believed that the agricultural sector is critical for the economic development of rural areas and the entire country (ANC, 2007: 13-14).

With the above in mind, the conference resolved to embark on an integrated programme of rural development, land reform and agrarian change based on four pillars, one of which is the agrarian change with a view to supporting subsistence food production, expanding the role and productivity of modern smallholder farming and maintaining a vibrant and competitive agricultural sector (ANC, 2007:15).

Directly linked to the role of DAFF in promoting and supporting cooperatives is the resolution to support the growth of rural market institutions, including through the provision of infrastructure and by helping rural communities and small farmers to build organisations which help them to access markets, build links with the formal sector value chains and coordinate their activities to realise economies of scale. The resolution went further to say that such organisations may include producer cooperatives, smallholder associations, inputs supply cooperatives, marketing cooperatives and/or state regulated institutions designed to support and promote market access and collective action among small rural producers (ANC, 2007:15).

Myeni (personal interview) further says that the role of DAFF in promoting and supporting cooperatives is to ensure that where they exist, in particular second-tier cooperatives, they are strengthened through, among other things, the provision of infrastructure (marketing, processing, transport and storage facilities), intensifying capacity-building programmes to these cooperatives and facilitating linkages with the formal sector and value chains ensuring that the existing second-tier cooperatives are able to assist smallholder farmers’ cooperatives realise economies of scale.
The local agricultural managers in Zululand share the above sentiments in terms of the role of DAFF in promoting and supporting cooperatives, particularly with the aim of strengthening the existing second-tier cooperatives. Their emphasis is on DAFF ensuring that there is strong capacity in the second-tier cooperatives in the areas of governance and financial management. Financial support has also come up as one of the key ingredient of ensuring that the second-tier cooperatives are strengthened.

However, there appears to be some form of confusion or uncertainty as to the role and responsibilities of the various government departments, in particular, the Department of Agriculture and the Department of Economic Development in provinces with regard to the cooperative development function. Some local managers believe that the cooperative development is the sole responsibility of the department of economic development with agriculture only assisting with financial support and skills development. This confusion might be blamed on the lack of a sectoral cooperative development strategy that guides national and provincial departments of agriculture on how to approach the issue of cooperative development in the sector.

While on the role of DAFF in strengthening the existing second-tier cooperatives, respondents to the questionnaire for second-tier cooperatives indicated that the DAFF should recognise the existence of this level of cooperatives as alternative organisations for poverty reduction and provide the necessary support. The nature of support indicated includes but not limited to the provision of infrastructure (marketing and agro-processing facilities, storage and transport), technical support, awareness on labour, tax, auditing and procurements issues, financial support, good agricultural practices, quality and standards.

To conclude this section on the role of the DAFF in promoting and supporting second-tier cooperatives, a list of common services provided by this level of cooperatives in agriculture to their primary members was provided and respondents asked to indicate what they thought should be the role of DAFF
for each service listed. Table 5.24 below provides a summary of responses by participants:

<table>
<thead>
<tr>
<th>Nature of service provided by second-tier cooperatives (agriculture)</th>
<th>What should be the role of the Department of Agriculture, Forestry and Fisheries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement if inputs</td>
<td>DAFF should facilitate bulk procurement of inputs and ensure that quality inputs are procured for the benefit of members</td>
</tr>
<tr>
<td>Marketing of products</td>
<td>Provision of adequate marketing infrastructure, linking second-tier cooperatives with tangible and working markets (domestic and export) and ensure that second-tier coops understand food safety and quality issues).</td>
</tr>
<tr>
<td>Storage and transport facilities</td>
<td>As part of providing adequate infrastructure to ensure market access to products of smallholder farmers in rural areas, storage and transport logistics should be made available to second-tier agricultural cooperatives</td>
</tr>
<tr>
<td>Education and training</td>
<td>Central to the support of second-tier agricultural cooperatives is capacity building and skills development. If these cooperatives are to be strengthened, their capacity should be strengthened, particularly in the areas of financial management, general business management, good agricultural practices, food safety and quality assurance to ensure that they are able to transfer these skills to their primary members. DAFF should initiate collaborations with SEDA and the agricultural colleges.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Second-tier agricultural cooperatives should be assisted with agro-processing facilities, storage and transport.</td>
</tr>
<tr>
<td>Agro-processing facilities</td>
<td>Same as in above.</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>In line with Cabinet decision on 7 November 2007, that stipulated that 85% of expenditure on 10 listed products and services be secured from SMME, including cooperatives, DAFF should ensure that second-tier</td>
</tr>
</tbody>
</table>
agricultural cooperatives have an adequate understanding of procurement related issues and available opportunities made known to them. One of the 10 listed category of products is food, perishables and supplies.

<table>
<thead>
<tr>
<th>Access to finance</th>
<th>Accessibility to finance has been identified as one of the critical factors and key ingredient towards the success of any cooperative development strategy. In this case, respondents were unanimous in saying that DAFF should work towards finding an effective financing model for smallholder cooperatives delivered through well structured second-tier cooperatives. DAFF should also encourage second-tier cooperatives to establish village banks through mobilisation of members’ savings.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditing</td>
<td>Auditing of cooperative books is one of compliance issues in terms of the Cooperatives Act of 2005 and a number of cooperatives are being deregistered due to non-compliance, among others, because they cannot produce audited financial statements. To ensure that smallholder cooperatives have the ability to do their books, second-tier cooperatives need capacity to provide this function to members and DAFF should play a critical role in providing capacity to the second-tier agricultural cooperatives.</td>
</tr>
<tr>
<td>Tax</td>
<td>Government regulations stipulate that any business generating revenue has to pay tax. Like any other form of business enterprise, cooperatives are required by law to submit tax returns annually and the majority of smallholder cooperatives are challenged by this requirement mainly because of the fact that the majority of them are small in size and have lesser volumes of products. It is in this regard that DAFF in collaboration with SARS needs to run awareness campaigns and further build capacity on tax issues in second-tier</td>
</tr>
</tbody>
</table>
cooperatives to ensure that they are able to provide this function to their primary members.

| Labour issues | As employers, cooperatives are also required to comply with the country's labour laws. Smallholder cooperatives find it difficult to comply and adhere to labour laws. Their main focus is on production. Second-tier cooperatives need to be capacitated to ensure that they are better equipped to provide this function or service to their members. |

Table 5.24: The role of DAFF as perceived by respondents

According to table 5.24, respondents indicated that DAFF should play a critical role through the provision of infrastructure such as pack houses, storage and transport facilities, as well as value adding and agro-processing facilities. DAFF should also play a role in ensuring that second-tier cooperatives are capacitated in both technical and business skills.

5.8. Strategies and programmes available to support second-tier agricultural cooperatives within the Department of Agriculture, Forestry and Fisheries.

According to the Integrated Strategy on the Development and Promotion of Cooperatives in South Africa, the promotion and development of cooperatives is shared responsibility. Furthermore, the Strategy further provides that all national departments which are promoting the development of cooperatives have a duty to formulate specific cooperative sector strategies/policies/programmes and institutional arrangements aimed at developing cooperatives in the specific sectors.

Translating the Polokwane resolutions into government programmes, the Medium Term Strategic Framework (MTSF) document was developed to guide the planning and allocation of resources across all spheres of
government. Ten strategic priority areas were developed with the third priority area being the Comprehensive Rural Development Strategy linked to land and agrarian reform and food security. The Comprehensive Rural Development Programme was subsequently approved by the Minister of Rural Development in 2009.

At the centre of this programme, is the element of cooperative development. Within this context, there is a need to support the development of emerging/smallholder cooperatives, as well as encouraging an enhanced role of agricultural cooperatives in the value chain, including agro-processing (Presidency, 2009: 22). The actions required to achieve this include the following:

- establish/verify a data base of cooperatives and build capacity;
- savings mobilisation ensuring that 10% of the surplus generated by cooperatives is saved in accordance with the provisions of the Cooperatives Act of 2005;
- development of one-stop shops where cooperatives and other farmers can have access to marketing and other information related to agriculture and other activities, as well as access to government services, including extension services and finance.

In order to realise the above, government departments involved or responsible for the third strategic priority area and the development of cooperatives in the agricultural sector had to develop strategies and programmes aiming at enhancing the development of cooperatives. According to Myeni (2012), the following strategies and programmes within the DAFF have been developed to enhance the development of cooperatives:

**5.8.1. The Cooperative Data Analysis System (CODAS)**

CODAS is a web-based application that is used to store data on agricultural cooperatives. Data on existing cooperatives in the sector is gathered with the assistance of the provincial departments of agriculture and captured on the
system. Captured data can then be accessed by users using a user name and password provided by way of generating multiple reports. In this case, the system becomes useful for aspiring and existing second-tier cooperatives in terms of finding valuable information on the number of existing primary cooperatives, their locations and the commodities they are involved in. Proper planning on the part of second-tier cooperatives is then enhanced.

5.8.2. The Farmtogether Agricultural Cooperative Training Programme

The annual report on the status of cooperatives in the agricultural sector for the financial year 2010/11 highlighted lack of capacity in primary cooperatives that limits their ability to increase productivity and create job opportunities, particularly in the rural areas where opportunities for formal employment are limited. The Farmtogether Agricultural Cooperative Training Programme was developed as an intervention programme in the area of capacity building and training. The objective is to provide capacity to well-organised and structured second-tier cooperatives to ensure that they will further provide capacity to their primary members.

5.8.3. The Savings Mobilisation Strategy

Inability of smallholder cooperatives to leverage financial support, particularly from the private sector, has also been identified as a limiting factor for these cooperatives. The 2010/11 cooperatives report indicates that 75% of financial support to cooperatives is in a form of grants and only 25% is obtained through borrowing. One element of raising finance that has to date been neglected is mobilising savings from within the cooperatives themselves. To this effect, a Savings Mobilisation Strategy has been developed to give impetus to this process. Second-tier agricultural cooperatives are encouraged to facilitate savings mobilisation within their member primary cooperatives with the ultimate objective of establishing village or cooperative banks.
5.8.4. The guidelines on savings mobilisation

Tied to the Savings Mobilisation Strategy are the guidelines on mobilising savings within the cooperatives. This document provides guidelines on how the process of mobilising savings should unfold.

5.8.5. The Commodity Approach Model

The Commodity Approach Model is also one of the strategies available within DAFF to support second-tier agricultural cooperatives. This strategy seeks to mobilise primary cooperatives according to commodities to establish second-tier agricultural cooperatives at a local municipality level. According to the model, the functions or services to be rendered by the second-tier cooperatives are to facilitate bulk procurement of inputs, savings mobilisation, marketing and agro-processing facilities and capacity building. The model also encouraged well-established second-tier cooperatives to form a microfinance institution (village or cooperative bank) at a local municipality level. Below is a schematic representation of the Commodity Approach Model.

Figure 5.4: A schematic representation of the Commodity Approach Model
(Source: Department of Agriculture, Forestry and Fisheries, 2011)
It should however, be noted that the above tools or programmes are not specifically meant for second-tier cooperatives in the sector, but for all levels of cooperatives. Furthermore, there is currently no sector specific strategy driving the development of cooperatives in the agricultural sector.

5.9. Structuring of second-tier agricultural cooperatives.

The question as to how the second-tier cooperatives in the sector are structured or organised is also one of the key questions of this study. The objective of this question is to understand whether the formation of cooperatives at this level should be around sector, locality or commodity. This will be bench marked by international standards and suggestions made on how best to effectively organise primary cooperatives into second-tier cooperatives.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
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<tbody>
<tr>
<td>by sector</td>
<td>3</td>
<td>30.0</td>
</tr>
<tr>
<td>by commodity</td>
<td>6</td>
<td>60.0</td>
</tr>
<tr>
<td>by locality</td>
<td>1</td>
<td>10.0</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 5.25: Structuring of the respondents

According to table 5.25, above sixty percent (60%) of the respondents are organised along commodity lines with only ten percent (10%) organised according to locality, which means that cooperatives from a particular area irrespective of what their activities are, would come together to form a second-tier cooperative. Thirty percent (30%) of the second-tier cooperatives are organised according to the sector taking all cooperatives in the agricultural sector to form second-tier cooperatives. Below is a graphical representation of the data analysed.
5.10. What would be the best mechanism of structuring these second-tier agricultural cooperatives?

According to Myeni (2012), the Commodity approach Model as one of the strategies within the DAFF seeks to mobilise primary agricultural cooperatives according to commodities towards the establishment of second-tier cooperatives at a local municipality level. Establishing cooperatives around commodities enables members to pool their resources and take advantage of economies of scale. Economies of scale provides benefits at all levels of supply chain starting from procurement or raw material or agricultural inputs to leveraging of transportation costs, processing or value adding and marketing. However, in some instances the establishment of second-tier cooperatives should be dictated by the prevailing circumstances on the ground.

If international standards or practices are anything to go by, second-tier agricultural cooperatives should be organised along commodities if they are to be successful. Globally, a number of second-tier cooperatives are organised...
along commodity lines. The Rice Cooperative Union in Rwanda was established by primary rice growing cooperatives. Similarly, the Oromia Coffee Cooperative Union in Ethiopia was established by primary coffee growers’ cooperatives solely to market their coffee and so is the Kagera Coffee Cooperative in Tanzania.

In India, the Kaira District Milk Union (commonly known as AMUL) was established by milk producers’ village cooperatives to market their milk. Although Tnuva cooperative in Israel initially marketed fruit and vegetables of the primary members, it gradually lost its market share of these products and remained responsible for marketing the milk of its members. In South Africa, the Yebo Cooperative is a multi-purpose second-tier cooperative that provides support services to its primary members across the sectors.

5.11. Testing the hypothesis

The purpose of this section is to evaluate the data as stratified in the tables and graphs in this chapter to see if the data does confirm or reject the hypothesis as posited in chapter 1 (see section 1.5). The hypothesis is posited as: Direct and focused support to second-tier agricultural cooperatives by the Department of Agriculture, Forestry and Fisheries is necessary to strengthen second-tier cooperatives and ensure that they are able to provide support services to their members.

The findings of this study indicate that the DAFF has a critical role to play in supporting the second-tier cooperatives in the sector. Currently the study indicates that cooperatives surveyed have been assisted mainly with capacity building. There is no focused support to the second-tier cooperatives from DAFF and this might be the causes of weaknesses and inability by second-tier cooperatives in the sector to effectively support their members.

Table 5.10 indicates the types of support services that should be provided by second-tier agricultural cooperatives to their members. However, in terms of the capacity levels to provide these services, tables 5.12 and 5.13 reveal that
the second-tier cooperatives surveyed do not have capacity to provide services to their members. Only 20% of the participants have agro-processing facilities (5.13) while 40% of the participants have storage facilities (5.12). As reflected in table 5.16, 50% of respondents have not been able to assist members to secure markets.

Table 5.24 indicates the different types of services which respondents would want to provide to their members and the role they feel should be played by DAFF to strengthen them, ensuring that they are able to deliver on these services. It therefore becomes imperative that DAFF recognises the essential role of second-tier cooperatives in the sector and provide focused support. The above information therefore supports the hypothesis posited as: **Direct and focused support to second-tier agricultural cooperatives will strengthen this level of cooperatives and ensure that they are able to provide support services to their members.**

5.12. Conclusion

This chapter revealed that the main drivers for the establishment of second-tier agricultural cooperatives is two-fold, viz. inputs supply and marketing of produce. The study indicates that although the existing second-tier agricultural cooperatives were established to achieve clear objectives, they are limited or constrained by lack of capacity to provide the services they were established to provide. This is mainly due to lack of the necessary infrastructure such as pack houses, storage facilities, value-adding facilities and transport logistics. Public-private partnership initiatives have been found to be lacking in support to second-tier agricultural cooperatives.

The DAFF has a clear role of supporting rural development through cooperative development as dictated by the resolutions of the 52\textsuperscript{nd} National Conference of the African National Congress in 2007. Infrastructure development came up as one of the support mechanisms towards cooperative development. Although there is currently no sector specific strategy driving the departments’ efforts to promote and develop cooperatives,
there are however, several strategies/programmes/tools/instruments designed to assist in the promotion and support of cooperatives.

The next chapter provides conclusions and a summary of the main findings of this study and provide recommendations as to what needs to be done to ensure that second-tier agricultural cooperatives are properly supported and strengthened.
CHAPTER 6
CONCLUSIONS AND RECOMMENDATIONS

6.1. INTRODUCTION

Each of the chapters in this study focused on a specific area of the research. The first chapter introduced the background and rationale of the study, the problem statement and research questions, objectives and significance of the study, research methodology and dealt with ethical issues that had to be adhered to by the researcher. The second chapter reviewed literature pertaining to the cooperative concept placing the study in context. In chapter three, the global perspective of second-tier agricultural cooperatives was discussed and the fourth chapter described the research methodology followed to conduct this study. In chapter five, the results were presented and discussed.

In this chapter, a summary of the core findings of this study is presented followed by recommendations emanating from these core findings. It is anticipated that the recommendations will provide valuable information not only to the DAFF, but also to other government departments with a role to play in the development of cooperatives, promoters of cooperatives across the sectors, policy developers and the cooperative movement in general on how to better mobilise and support second-tier cooperatives. This chapter will act as a concluding section of the study followed by possible implications for further research.

6.2. SUMMARY OF CORE FINDINGS

The findings in this study highlighted a number of points concerning the nature and status of existing second-tier agricultural cooperatives, as well as the role that should be played by the DAFF in promoting, supporting and strengthening these second-tier agricultural cooperatives. The core findings relate to the research problem, objectives of the study, hypothesis and key questions as postulated in the first chapter of this study.
In the first, it was argued that the main objective of this study was to determine and describe the role of DAFF in strengthening the existing second-tier cooperative in South Africa. Since the problem was mentioned as being central to any research project (see section 1.5), it became imperative that findings emanating from the study be evaluated against the stated problem for the purpose of ascertaining whether the problem was adequately resolved or not. The research problem was posited as follows:

**What is the role of the Department of Agriculture, Forestry and Fisheries in strengthening the existing second-tier cooperatives in South Africa?**

The entire study was undertaken for the purpose of resolving this problem which was packaged in a question form and contained four sub-questions. Below is a summary of the core findings that relate to the research problem and the sub-questions.

6.2.1. Core findings with regard to the research problem and sub-questions

6.2.1.1. The role of the Department of Agriculture, Forestry and Fisheries in promoting and supporting second-tier agricultural cooperatives.

The Integrated Strategy for the Promotion and Development of Cooperatives of the dti recognises that the issue of promotion and development of cooperatives can never be the sole responsibility of the dti. As such, a sectoral department such as Agriculture, Forestry and Fisheries that promote and support cooperatives have a duty to develop strategies and programmes to promote and support cooperatives in their respective sectors.

Creating a conducive environment within which cooperative enterprises can thrive alone is not enough to ensure a sustainable cooperative sector. In line with this, the 52nd National Conference of the African National Congress in 2007 resolved to support the growth of rural market institutions, including the
provision of infrastructure and by helping rural communities and smallholder farmers to build organisations such as producer, input supply, marketing cooperatives to promote and support market access and collective action among small rural producers.

Although there is currently no Agricultural Cooperative Development Strategy guiding the promotion and development of cooperatives in the sector, there are however, a number of programmes and instruments developed to assist in the promotion and support of cooperatives in the sector. Lack of a sectoral cooperative development strategy might be the reason for the confusion in some provinces on the role that should be played by provincial departments of agriculture in promoting and supporting agricultural cooperatives. DAFF is expected to play a crucial role in ensuring that cooperatives in the sector are supported, including second-tier cooperatives. The study revealed that DAFF should provide support to second-tier cooperatives, among others, with infrastructure, initial financial support and capacity building. DAFF should also initiate and facilitate public-private partnerships to ensure that second-tier cooperatives in the sector are able to benefit from, particularly in the areas of market access, capacity building, financial support and value adding, as well as agro-processing opportunities.

6.2.1.2. The specific services provided by existing second-tier agricultural cooperatives and the ideal services that should be provided by this level of cooperatives to their members.

Cooperatives in agriculture are established mainly to address issues of market accessibility and distortions in the value chain. Successful second-tier agricultural cooperatives in the world provide a range of support services to their members that include, but are not limited to bulk buying, collective marketing, storage facilities, transportation, processing facilities, capacity building, auditing, packaging, setting of standards, branding and general support services. However, the results of this study indicate that second-tier agricultural cooperatives that participated in the study were mainly established
to provide collective marketing services and bulk procurement of agricultural inputs for the benefit of their members.

According to the findings of the study, ninety percent (90%) of respondents are indeed providing these services. Other services provided by second-tier agricultural cooperatives include agro-processing and value adding services, assisting members solicit financial support as well as provide training and capacity building to their members. However, evidence from the study suggests that most of respondents have not and are not doing well in providing the latter services.

The participating second-tier cooperatives do not have, for example, transport and processing facilities, they are unable to provide auditing services to their members and they cannot effectively deal with branding and standards issues. As a result, their primary member cooperatives are unable to achieve economies of scale due to the ineffectiveness or inability of the second-tier cooperatives to effectively provide them with the necessary support services.

6.2.1.3. Capacity of second-tier cooperatives to provide support services to their primary member cooperatives.

Although 90% of the respondents indicated that they are providing marketing services to their members, as well as supplying inputs, the study revealed that these cooperatives do not have capacity to deliver the services they were established to provide. This is mainly due to lack of the infrastructure necessary to carry out their objectives. In this regard, necessary infrastructure would include warehousing facilities/pack houses, transportation, value adding, as well as marketing facilities.

Lack of these facilities has been found to be a major limiting factor denying members of cooperatives opportunity to realise economies of scale associated with cooperating with each other vertically through the establishment of second-tier cooperatives. This defeats the entire purpose of establishing second-tier agricultural cooperatives.
6.2.1.4. Structuring or organisational arrangements of existing second-tier agricultural cooperatives.

Review of literature on second-tier agricultural cooperatives indicates that around the world these cooperatives are formed around commodities or group of similar commodities. The second-tier cooperatives discussed in the third chapter confirm this statement. Establishing agricultural cooperatives around commodities enables members of these cooperatives to pool their resources to take advantage of economies of scale. Economies of scale provide tangible benefits at all levels of the supply chain from procurement of inputs to storage facilities, transport, value adding to marketing. The study revealed that 60% of the respondents are mobilised according to commodities, 30% according to sector and the remaining 10% organised according to locality.

According to the findings of the study, only one respondent has agro-processing facilities. This respondent is formed by primary cooperatives in the poultry commodity and members are all into broiler production. The Commodity Approach Model of the DAFF also encourages primary agricultural cooperatives to mobilise themselves around commodities to establish sustainable second-tier cooperatives at municipality level to ensure that they (members) are able to realise economies of scale.

6.2.2. External support to second-tier cooperatives

Although cooperatives are autonomous and independent organisations with distinct powers and authority, they still require external support for their viability and sustainability. External support can come in different forms without compromising the autonomy and independence of these organisations. The vision of the Integrated Strategy for the Promotion and Development of Cooperatives strives to have an integrated cooperative sector supported by all stakeholders. The mission reads: “To move towards a growing, self-sustainable and integrated cooperative sector, supported by all stakeholders, contributing to economic growth, poverty reduction and
employment creation, as well as assisting in bringing about economic transformation and an equitable society in South Africa”.

With regard to external support, the study shows that 80% of the respondents have received some external support and this mainly came from government organisations. Only 20% of the respondents were supported by non-governmental organisations and the private sector. This point to a lack of public-private partnership initiatives. The nature of support that respondents have received mainly from government is in a form of capacity building (technical and business skills).

6.3. CORE FINDINGS WITH REGARD TO THE HYPOTHESIS

As stated in chapter one (section 1.5), a hypothesis is defined as a testable statement that indicates what the researcher expects to find, based on theory and level of knowledge in the literature and is stated in such way that it will either be verified or falsified by the research process. The hypothesis for this study was posited as follows:

Direct and focused support and assistance to second-tier agricultural cooperatives by the Department of Agriculture, Forestry and Fisheries will strengthen this level of cooperatives and ensure that they are able to provide support services to their members.

This study has revealed that the respondents (second-tier agricultural cooperatives) do not have the capacity to provide support services to their members. This is mainly due to lack of infrastructure and other facilities necessary to execute their objectives. As such, the study suggests that if these cooperatives were to be strengthened, DAFF has a critical role to play in providing focused support to the second-tier cooperatives in the sector. This will ensure that these cooperatives have the capacity to provide support services to their members. Therefore, the hypothesis that says “Direct and focused support and assistance to second-tier agricultural cooperatives by the Department of Agriculture, Forestry and Fisheries will strengthen
this level of cooperatives and ensure that they are able to provide support services to their members” is true or is confirmed.

6.4. RECOMMENDATIONS

Emanating from the core findings of this study as summarised above, the following recommendations are made:

6.4.1. Development of a Sectoral Cooperative Development Policy and Strategy

The role of the DAFF in promoting, supporting and strengthening existing second-tier agricultural cooperatives in South Africa needs to be clearly articulated. This should be done through the development of a clear sector-based Integrated Cooperative Development Strategy guided by the National Integrated Strategy on the promotion and development of cooperatives by the dti. Such a strategy should spell out the role of the department in promoting the development of cooperatives in the sector and in particular, second-tier cooperatives and should be informed by a policy on agricultural cooperative development.

The importance of second-tier cooperatives should be defined and specific programmes and support mechanisms clearly outlined. The strategy will also assist in clarifying the role of the sister departments in provinces on the promotion and development of cooperatives in the sector. This would ensure that provincial departments of agriculture have a common understanding of their role in promoting and supporting cooperatives in the sector and accordingly develop support programmes for these organisations.

6.4.2. Provision of initial financial support towards infrastructural development

The study has revealed that the formation of second-tier agricultural cooperatives is premised on two main reasons, being the collective marketing
of members’ products and bulk buying of inputs for the benefit of their primary member cooperatives. However, lack of infrastructure to carry out these objectives has been found to be a major challenge. Promotional efforts alone would not address this challenge. Unless support in a form of infrastructure development is made available to second-tier cooperatives with sound business proposals and potential to support rural development initiatives, second-tier cooperatives in agriculture will not be able to execute their objectives successfully.

In line with the resolutions taken at the 52nd National Conference of the African National Congress in Polokwane in 2007, to support the growth of rural market institutions, including the provision of infrastructure, the DAFF should develop tailor-made programmes targeting the provision of initial infrastructural support to existing second-tier cooperatives in the sector. However, the provision of such support should be based on merit and as such, clear criteria must be developed. Infrastructural support should be coupled with building technical and business capacity, as well as linkage to market opportunities.

6.4.3. Initiate and facilitate Public-Private-Partnership (PPP) initiatives

Even though the DAFF is responsible for the development of cooperatives in the sector, it would not be able to achieve this mandate alone. This mandate is huge and requires collaborative efforts by all stakeholders. The private sector has a role to play in ensuring that existing second-tier agricultural cooperatives are strengthened, enabling them to provide the necessary support services to their members. As such, the DAFF should facilitate public-private partnership initiatives in support of cooperatives in the sector, particularly, the second level cooperatives.

The need for public-private-partnership initiatives in the delivery of development projects, particularly those targeting the vulnerable and rural poor communities becomes crucial taking into consideration the rigid and slow government processes, procedures and systems in achieving timely delivery
of projects. Public-private partnerships can and have the ability of circumventing these hurdles.

6.4.4. Consider the possibility of creating a cooperative development fund

In South Africa, government has identified cooperatives as one of the central pivots to reduce poverty, unemployment and high levels of inequality and to accelerate empowerment and development for the benefit of the previously disadvantaged. The agricultural sector has been identified as one of the main sources of employment and income in rural areas where the majority of the world’s poor and hungry people live. Agricultural cooperatives have been found to play a crucial role in creating job opportunities and reducing poverty. With this in mind, there is a need for special support measures for cooperative enterprises.

The fact that there is no dedicated financing programme within the DAFF, specifically for agricultural cooperatives makes it difficult for the department to optimally execute its mandate of promoting and developing cooperatives in the sector. As indicated in 6.3.2 above, promotional efforts alone will not assist in addressing the current challenges facing second-tier cooperatives in the sector. The department should therefore consider developing special support measures, specifically for cooperatives in the sector. Such special measures should include establishing a fund, specifically for cooperatives from which support towards infrastructural development, capacity building as well as research and development can be catered for.

6.4.5. Encourage cooperation among cooperatives and promote the mobilisation of second-tier agricultural cooperatives along commodities

One of the main reasons for farmers to form cooperatives is to be able to take advantage of economies of scale. International experience has shown that most second-tier cooperatives have been established around commodities
and are capable of effectively providing tangible support services to their members and also benefiting members at all levels of the value chain. These second-tier cooperatives have been able to attract large membership, thereby increasing production volumes affording them extra bargaining powers, for example, to negotiate prices both in the input (supply) and output (market) side.

Within the DAFF, the Commodity Approach Model has been developed as a strategy that seeks to mobilise primary cooperatives into second-tier cooperatives according to commodities. However, this approach or strategy is not adequately promoted. The department should therefore embark on awareness campaigns encouraging cooperation among cooperatives in similar commodities, in particular, vertical integration that result in the creation of second-tier cooperatives. However, this should not be cast in stone and should also allow multi-purpose second-tier cooperatives as dictated by circumstances on the ground.

Care should be taken not to impose cooperation among these cooperatives and the establishment of second-tier cooperatives should be the initiatives of primary cooperatives borne out of a need. The independency and autonomy of primary members should also be respected.

6.5. OPPORTUNITIES FOR FURTHER RESEARCH

This study focused specifically on the ten second-tier agricultural cooperatives that existed within the district of Zululand at the time of initiating the study. It was only confined to the borders of the Zululand District of the province of KwaZulu-Natal. Further research might be undertaken to include other districts in the province to be able to obtain a comprehensive picture of the province as far as second-tier agricultural cooperatives are concerned. It would also be interesting to see if the views of local managers in other districts will be similar to those in the district of Zululand with regard to the role which the DAFF should play in supporting and strengthening existing second-tier cooperatives in the sector.
Secondly, the study aimed at investigating the role of the DAFF in strengthening the existing second-tier agricultural cooperatives. There are however, many other role players, including other government departments that provide support to second-tier agricultural cooperatives. A study that identifies these role players and the determination of what their role should be in supporting and strengthening second-tier agricultural cooperatives could also be undertaken. This will probably provide the basis for public-private-partnership in the quest to support and strengthen second-tier agricultural cooperatives.

6.6. CONCLUSION

The purpose of this study was to investigate the role which the DAFF should play in supporting and strengthening the existing second-tier agricultural cooperatives in South Africa. Although second-tier agricultural cooperatives in other developing and developed countries (as seen in chapter 3) have been able to progressively play a significant role in creating economies of scale in their member primary cooperatives and individual farmers at village level, the same cannot be said for second-tier agricultural cooperatives in South Africa.

The study revealed that as much as the objectives of establishing second-tier agricultural cooperatives are clearly articulated and in line with international standards, second-tier agricultural cooperatives in South Africa do not have adequate capacity to execute their objectives. This is mainly due to lack of appropriate infrastructure in the form of transportation, warehousing, agro-processing and packhouse facilities. Lack of the necessary skills to provide specific support services such as accounting and bookkeeping, auditing, tax and preferential procurement has also been identified as a hindrance to the development of second-tier agricultural cooperatives.

Responses from local managers in the study area (Zululand District) indicate that there is consensus on the nature of support services that second-tier agricultural cooperatives should provide. There is also a general consensus
that the existing second-tier agricultural cooperatives in the district of Zululand do not have capacity to execute their objectives. The study also revealed that the formation of some of the second-tier agricultural cooperatives in the district of Zululand is not in line with international best practices which follow commodity lines. Some second-tier agricultural cooperatives in the district are organised according to locality and others according to sectors.

Absence of clear policy directive and strategic intentions clearly articulating how the DAFF intends supporting second-tier agricultural cooperatives has been identified as a hindrance to the development of these cooperatives. The confusion that exists in provinces relating their role in promoting and supporting cooperatives in the sector could be attributed to the above point. There is therefore a need to develop a policy and strategy on the promotion and support of cooperatives in the sector taking queue from the Cooperative Development Strategy of the dti. Such sectoral policy will serve as a guide to provincial departments of agriculture on how to approach the issue of cooperative development in the sector and ensure that programmes to support and promote cooperatives in the sector are developed.

In conclusion, the fact that the South African government has identified cooperatives as being crucial to the reduction of poverty and unemployment, particularly in the rural areas means that these organisations require support. It is in this context that the DAFF should clearly articulate its role in supporting cooperatives in the sector. This should be in a form of a policy and strategy on the development of cooperatives in the sector. In view of the role played by second-tier agricultural cooperatives in other countries, the DAFF should prioritise the development of this level of cooperatives and develop special measures of support to ensure that they are strengthened. However, the establishment of these cooperatives should be the sole initiative of primary cooperatives themselves and any support provided should be based on merit.
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ANNEXURES

Annexure 1: Study questionnaires for second-tier agricultural cooperatives.

THE ROLE OF THE DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES IN STRENGTHENING THE EXISTING SECOND-TIER AGRICULTURAL COOPERATIVES IN SOUTH AFRICA

Your participation in this study is very important to the researcher. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences. Information provided and the results of the study will be completely confidential and your answers will remain anonymous. This study is for research purposes only. Please, do not write your name, surname or any other personal details or numbers on this questionnaire.

- Please take your time to complete this questionnaire
- The questionnaire will not take more than 45 minutes of your time

SECTION A: DESCRIPTION OF THE COOPERATIVE

1.1. When was the cooperative established and registered?

- Year of establishment

- Year of registration

1.2. What were the main reasons for establishing the cooperative?
Please mark the appropriate option (s)

1.2.1. Bulk buying of inputs

1.2.2. Collective marketing of members produce

1.2.3. Agro-processing or value adding opportunities

1.2.4. Provision of capacity building programmes to members
1.2.5. Assist members to source financial support

1.2.6. Other (please specify)

..............................................
..............................................

1.3. Where is your cooperative located?
Area/Village/Township/Town
..............................................

Local Municipality
..............................................

1.4. What is the average distance between the secondary co-op and the primary members?

1.5. How many members (primary cooperatives) does the cooperative have?

1.6. How many of your primary members are active/operational?

SECTION B: INSTITUTIONAL ARRANGEMENTS (TICK YES OR NO)

2.1. Does the cooperative have a democratically elected board of directors?  Y N
If yes please attach the list of directors.

2.2. Is the board representative of all the member cooperative cooperatives?  Y N

2.3. Does the board hold regular meetings and provide reports to members?  Y N

2.4. Does the board convene an annual general meeting of members?  Y N

2.5. Does the cooperative have a constitution separate from members?  Y N

2.6. Do the members understand the contents of the constitution?  Y N
### SECTION C: TYPES OF SERVICES PROVIDED (Select the services your cooperative is providing by making a cross in the box provided)

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<thead>
<tr>
<th>Service</th>
<th>Box</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1. Input supply</td>
<td></td>
</tr>
<tr>
<td>3.2. Marketing services</td>
<td></td>
</tr>
<tr>
<td>3.3. Storage facilities</td>
<td></td>
</tr>
<tr>
<td>3.4. Transportation of members’ produce to the markets</td>
<td></td>
</tr>
<tr>
<td>3.5. Capacity building of members in both business and technical issues</td>
<td></td>
</tr>
<tr>
<td>3.6. Provide agro-processing facilities/services</td>
<td></td>
</tr>
<tr>
<td>3.7. Facilitate preferential procurement deals for members</td>
<td></td>
</tr>
<tr>
<td>3.8. Leverage financial support for members</td>
<td></td>
</tr>
<tr>
<td>3.9. Set and maintain quality standards for members’ products</td>
<td></td>
</tr>
<tr>
<td>3.10. Encourage members to save</td>
<td></td>
</tr>
<tr>
<td>3.11. Negotiate discounts on behalf of members</td>
<td></td>
</tr>
<tr>
<td>3.12. Assist members in interpreting labour laws</td>
<td></td>
</tr>
<tr>
<td>3.13. Assist members with tax issues</td>
<td></td>
</tr>
<tr>
<td>3.14. Assist members with auditing issues</td>
<td></td>
</tr>
<tr>
<td>3.15. Assist members with tendering and procurement issues</td>
<td></td>
</tr>
</tbody>
</table>
## SECTION D: CAPACITY TO PROVIDE THE SELECTED SERVICES (TICK YES OR NO)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>The cooperative buy inputs in bulk for the benefit of members</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.2</td>
<td>The cooperative has storage facilities</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.3</td>
<td>The cooperative is skilled in the following areas;</td>
</tr>
<tr>
<td>4.3.1</td>
<td>Labour issues</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.3.2</td>
<td>Tax issues</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.3.3</td>
<td>Auditing issues</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.3.4</td>
<td>Tendering and Procurement</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.4</td>
<td>The cooperative is skilled in developing bankable business plans for members</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.5</td>
<td>The cooperative has agro-processing facilities</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.6</td>
<td>The cooperative has transport for members produce</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.7</td>
<td>The cooperative understands the quality and standards issues</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.8</td>
<td>The secondary cooperative has its own secured premises separate from its members from which it conducts its business</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
<tr>
<td>4.9</td>
<td>The cooperative has skilled and competent board/management</td>
</tr>
<tr>
<td></td>
<td><img src="Y" alt="Yes" />, <img src="N" alt="No" /></td>
</tr>
</tbody>
</table>
4.10. Please indicate the level of education of members of the board of directors.

- Number of board members with primary education (Grade 1-7)
- Number of board members with secondary education (Grade 8-12)
- Number of board members with tertiary education (post matric)

4.11. Please list the type of expertise available in the cooperative.


SECTION E: EFFECTIVENESS OF SECONDARY COOPERATIVE TO DELIVER SERVICES

How many of your members are sourcing inputs from you?

5.1. How many of your members have signed formal market contracts through your assistance?

5.2. If any (follow-up from previous question) please list the names of markets secured and product supplied

<table>
<thead>
<tr>
<th>Name of market</th>
<th>Product supplied</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
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<td></td>
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<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5.3. Do you have sufficient storage facilities for the products of your members ready for the market? [Y N]
5.4. Are you able to conduct skills needs analysis and facilitate capacity on the identified training needs?  

5.5. Do you provide training to your members yourself?  
If no, who provides training to your members?

5.6. How many members have you assisted to source funding  
If any, from which sources or organisation?

5.7. How many preferential procurement deals have you secured for the benefits of your members?  
If any please list them.

5.8. How many members are engaged in savings mobilisation?

5.9. How many of your members have branded products or registered standards?

5.10. How many of your members comply with the following:
Labour laws (employees registered for Unemployment Insurance Fund, Workman Compensation and copies of labour related Legislation are displayed for employees to read and apply)

Tax (submit tax returns annually)
SECTION F: STRUCTURING OF THE SECONDARY COOPERATIVE (TICK THE APPLICABLE ONE)

6.1. How is your cooperative structured?

   By sector
   By commodity
   By locality
   Other

   If other, please elaborate:
   -----------------------------------------------------------------------------------------------
   -----------------------------------------------------------------------------------------------

SECTION G: EXTERNAL SUPPORT

7.1. Have you received any external support?

7.2. If yes, what type of support and from where:

   Government organisations
   What type of support
   -----------------------------------------------------------------------------------------------
   -----------------------------------------------------------------------------------------------
   Non-governmental organisations
   What type of support
SECTION H: ROLE OF THE DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES (DAFF)

8.1. How has the DAFF supported the secondary cooperative in the past or currently?

........................................................................................................................................................................
........................................................................................................................................................................

8.1.1. What role do you think should be played by the DAFF in supporting secondary agricultural cooperatives to be able to provide the necessary services to their primary member cooperatives?

8.1.2. Below is a list of common services provided by secondary agricultural cooperatives to their primary member cooperatives. Select the appropriate service and indicate the role that you think should be played by the DAFF for each service in support of the secondary agricultural cooperatives to effectively provide these core services to member primary cooperatives.

CIRCLE THE SERVICE APPLICABLE

Procurement of inputs ..............................................................................................................................
........................................................................................................................................................................

Private business
What type of support?

........................................................................................................................................................................
........................................................................................................................................................................

[ ] Y [ ] N
Thank you for participating in the study. Upon conclusion of this study a copy of the report will be forwarded to your local agricultural office and available for reading. You local agricultural office will advise you accordingly once the report become available.
Annexure 2
Study questionnaire for local and district managers (Zululand District of Agriculture)

THE ROLE OF THE DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES IN STRENGTHENING THE EXISTING SECOND-TIER AGRICULTURAL COOPERATIVES IN SOUTH AFRICA.

Your participation in this study is very important to the researcher. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences. Information provided and the results of the study will be completely confidential and your answers will remain anonymous. This study is for research purposes only. Please, do not write your name, surname or any other personal details or numbers on this questionnaire.

- Please take your time to complete this questionnaire
- The questionnaire will not take more than 20 minutes of your time.

1. What do you think has been the main driver(s) for establishing second-tier agricultural cooperatives in the district?

…………………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………………

2. What are the typical services currently provided by second-tier agricultural cooperatives to their primary member cooperatives?

…………………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………………

3. Ideally, what services do you think these second-tier agricultural cooperatives should be providing to their primary members?

…………………………………………………………………………………………………………………………
…………………………………………………………………………………………………………………………

4. In your own opinion, do you think the existing second-tier agricultural cooperatives have the capacity to support their primary members?

Please support your answer.
5. In most cases, how are these second-tier cooperatives organised/structured?

Commodity

Locality

Other

Please elaborate

-----------------------------------------------------------------------------------------------

6. Currently how is the Department of Agriculture supporting these structures?

-----------------------------------------------------------------------------------------------

7. Ideally, what should the Department of Agriculture do to strengthen these existing second-tier agricultural cooperatives?

-----------------------------------------------------------------------------------------------

Thank you for participating in this study. Your contributions will assist the Department of Agriculture, Forestry and Fisheries to design and implement programmes aimed at assisting these second-tier agricultural cooperatives to ensure that they are able to support their primary members to realise economies of scale, thereby creating jobs and employment opportunities.
Annexure 3
Interview questions for the Head of the Cooperative Development Unit within DAFF.

THE ROLE OF THE DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES IN STRENGTHENING THE EXISTING SECOND-TIER AGRICULTURAL COOPERATIVES IN SOUTH AFRICA.

Please be assured that your responses to these questions below will be treated with strict confidentiality and recorded anonymously. You have the right to withdraw at any point during the interview.

1. In your own opinion, do you think there is a need to have the second-tier co-operatives in the agricultural sector?

2. What do you think are the main drivers for the establishing of second-tier agricultural cooperatives?

3. What should be the key services provided by the second-tier agricultural cooperatives in support of their primary members?

4. What is the role of the DAFF in strengthening the existing second-tier agricultural cooperatives in South Africa?

5. What strategies and/or programmes are available within the Department of Agriculture, Forestry and Fisheries to strengthen these second-tier agricultural cooperatives?

6. How do you think the second-tier agricultural cooperatives should be organised if they were to be effective supporting their primary member cooperatives?

7. Do you think the existing second-tier agricultural cooperatives have the capacity to support their members? Please elaborate.
8. Do you believe in targeted support to these second-tier agricultural cooperatives and how should such support be provided?

9. Ideally, how do you think the second-tier agricultural cooperatives should be supported?
Annexure 4
Permission to involve the Department of Agriculture, Forestry and Fisheries in the study

Mr M.A. Malomane
Directorate: Co-operatives and Enterprise Development
Department of Agriculture, Forestry & Fisheries
Private Bag X290
Pretoria
0001

24 November 2011

Dear Mr Malomane

PERMISSION TO CONDUCT RESEARCH IN THE DEPARTMENT

Your letter dated 31 November 2011 (probably meaning 31 October 2011) refers.

Permission is hereby granted to include the Directorate: Co-operatives and Enterprise Development as a research site for gathering empirical evidence for the purposes of your research project, on the following conditions:

(i) the research work will not interfere with or compromise the work and work hours of our employees;
(ii) the results/findings of the research will only be used for academic purposes;
(iii) our department will be provided with a copy of the research findings after the completion of your study. The copy should be sent to the writer.

Wishing you every success in your studies.

Yours sincerely

[Signature]

pp. DIRECTOR-GENERAL

Letter signed by: N I Mti
Chief Director: Human Resources Management & Development

cc: Chief Director: Operations Support
Act. Director: Employee Relations