

**Challenges facing an LED agricultural cooperative in
the Greater Tzaneen Municipality (A case study of
Nkomamonta Primary Agricultural Cooperative in
Limpopo)**

by

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DECLARATION

I declare that the mini-dissertation hereby submitted to the University of Limpopo for the degree of Masters in Development: Challenges facing a LED agricultural cooperative in the Greater Tzaneen Municipality has not previously been submitted by me for a degree at this or any other university, that is my work in design and in execution, and that all material contained herein has been duly acknowledged.

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ABSTRACT

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

A case study of the Nkomamonta Agricultural Primary Cooperative in the Greater Tzaneen Municipalities is used. It is composed of fifteen agricultural cooperative which were purposively selected for the study because they were nearby, they are a pilot agricultural cooperative in the municipality and which are also not functioning as expected. The sample also included the purposively selected members, customers of these agricultural cooperative, workers, Greater Tzaneen Municipality, Local SEDA and LIBSA to explore the differences and provide insight to the knowledge, opinions and challenges that are facing agricultural cooperatives. One-on-one interviews were carried out with co-operative members as well as focus group discussions with customers, members of the cooperatives, workers, the Municipal officials, SEDA and LIBSA. A framework for analysing the challenges agricultural cooperatives with reference to the Nkomamonta cooperative case study was developed using literature of objectives of agricultural cooperatives, challenges which were identified by other researchers and success factors of smallholder agriculture.

According to this study, farmers' activities are hampered by a number of constraints. Production capability of the fifteen primary cooperatives is hampered by resource constraints such as lack of access to land (in one cooperative), machinery and equipment, finances and information relevant to production.

Marketing, transportation, poor infrastructure and the elderly age of some cooperative members and issues related to free-rider syndrome were part of the problems that were identified. Low capability of some of the fifteen cooperatives to mobilise resources, use the limited resources available and low capability to manage institutional arrangements rendered the cooperatives ineffective in achieving their set objectives.

The study recommends strategies for ensuring that the challenges facing agricultural cooperatives are minimised to better their services in the community. These include strategies for addressing internal and external issues affecting the cooperatives. Direct intervention from government is recommended to improve production through revising land allocation systems which made Kulani Agricultural Cooperative not to have land for growing crops. Jerry Jeff and Nwa Rex went out of action for eight months due to renovation of neighbourhood inorganic farms by the Department of Agriculture. Another strategy would entail improving extension services and follow up and strict monitoring of effective use of government resources provided to farmers. Responding and action taking when disaster has struck the agricultural cooperative by Government is also a plausible strategy. Access and training to relevant technologies to improve the processing and packaging capabilities of cooperatives should improve. Marketing and management activities should be supported through provision of improved infrastructure and relevant training. Farmers themselves should consider assisting one another especially regarding land issues as it was discovered that 67 hectares lay unutilised while the farmer next door needed land. Farmers should also engage in value added activities, and improve marketing programs and cost-effective distribution mechanisms.

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LIST OF ABBREVIATIONS

GTM	Greater Tzaneen Municipality
LIBSA	Limpopo Business Support Agency
SEDA	Small Enterprise Development Agency
LED	Local Economic Development
DTI	Department of Trade and Industry

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 Introduction and background

Prior to 1994, co-operatives were located mainly in the field of agriculture. The Department of Agriculture had the responsibility to support and develop co-operatives. These co-operatives were mainly white co-operatives. Although there were black cooperatives in existence, these tended to be informal and did not enjoy any support from the South African government. After 1994, governments identified the co-operative model as a means to address poverty and unemployment (DTI 2009).

According to Philip (2010), the responsibility for co-operatives resides with the Department of Trade and Industry where a Co-operative Enterprise Development Division was established for the co-operative sector, the government has launched various programmes to ensure that it would realize its objectives set for the period 2004-2014. These include the Co-operative Incentive Scheme (CIS) - which is a direct cash grant; the Export Marketing and Investment Assistance Scheme; and the Isivande Women's Fund. Funding is also channelled through various funding vehicles set up by provincial agencies such as the Free State Development Corporation's (FDC's) Co-operatives Fund, the Gauteng Enterprise Propeller (GEP) and Ithala Development Finance Corporation in Kwa Zulu Natal, among others. The Land Bank and the National Youth Development Agency (NYDA) also provide financial and other advisory support to co-operatives (DIT 2010).

The Limpopo Province cooperatives status of the Companies and Intellectual Property Registration Office (CIPRO) register shows that 1779 cooperatives were registered in 2009. The surviving cooperatives in Limpopo are 405 with 1474 considered dead. The survival rate is 22% with a mortality rate of 78% in 2007 and

2009 (DTI 2009). These figures are useful because these are the cooperatives that are of interest to the researcher based on the type of produce.

1.1.1 History of cooperatives

In the late 1800s (in 1892), white farmers organised themselves into agricultural cooperatives which marketed produce and procured inputs such as seeds, fertiliser and livestock. The first establishment of cooperatives started in Natal – which represented the first province that adopted the cooperative practice in South Africa. According to Barratt (1989), the first cooperatives to be established were Pietermaritzburg Co-operative Society and Natal Ceremony Limited. In 1908 Formulation of the South African Co-operatives' Act (Barratt, 1989).

In 1912 establishment of the land took place and in 1970 the Agricultural Bank of South Africa through the government after the Anglo-Boer war provided loans for farmers (Smith, 1979). The bank strengthened the white farmers co-operatives established in the 1800s. The black farmers' cooperatives started to be promoted as part of the apartheid plan to boost homelands. However such co-operatives did not get the state of support provided to white agricultural cooperatives and therefore they remained weak.

In 1994 South Africa became a democratic country; the constitution provided the right to association and the right to economic development. For the first time, all South Africans were entitled a right to pursue collectives and cooperative forms as equals (NCASA, 2003). Establishment of the NCASA as a body for bringing together all South African cooperatives. The NCASA emphasizes provision of high quality service, such as ongoing training, education and counselling of cooperative members. Mobilization of funds is also recognized as one of the important tasks that have to be performed. In the year 2000 the Department of Agriculture embarked on a review process of regulations pertaining to cooperatives. The legislation was skewed in favour of agricultural cooperatives and hence the registrar of the cooperatives' office was placed within the Department of Agriculture (Ministry of Agriculture and Land Affairs, 1998).

Lastly 2001 the cabinet took a decision to shift the responsibility for administration of cooperatives from the National Department of Agriculture to the Department of Trade and Industry.

The shift was based on the recognised need to support and promote the non-agricultural cooperatives that were emerging. Currently in the Republic of South Africa, the Micro Agricultural Finance Institutions of South Africa is working in partnership with the Land and Development Bank to finance the agricultural cooperatives in the South African provinces.

1.1.2 Traditional areas of cooperatives business focus are:

- the purchase and sale of agricultural inputs and equipment;
- the purchase, storage and subsequent sale of agricultural commodities; and
- transport services (Piesse *et al.*, 2003; cited by Ortmann and King, 2007a).

The primary objective of the first cooperative systems was aimed at assisting the participants to overcome their greatest obstacle to economic self-sufficiency, namely, their effective isolation from their routine of wage labour through the development of economic activity (Barratt, 1989). Smallholder agricultural co-operatives are made up of the poorest households in South Africa and face many challenges in their efforts to increase income and overcome food insecurity and consequently, most fail at very early stages (Machete, 2004).

The agricultural co-operatives should provide job creation, mobilise resources, generate investment and contribute to the economy. The Department of Agriculture, Fisheries and Forest (2010) states that the agricultural co-operatives promote participation in the economy and social development of all people. According to this department, agricultural cooperatives serve their members in the following ways:

- Improve bargaining power by combining the volume of several members to improve their position when dealing with other businesses.
- Reduced purchasing costs because they purchasing in large quantities reduces the purchasing price.

- Obtaining market access or broadening market opportunities: more buyers are attracted because of the value they can add, and the assurance they can offer to clients looking for larger quantities.
- Improve products or service quality: member satisfaction is achieved through improved facilities, equipment and services.
- Obtaining products or services otherwise unavailable: agricultural co-operatives often provide services or products that would not attract other private businesses.
- Reduce cost / increase income: reducing the operating costs increase the amount of earnings available for distribution to members to boost their income (DAFF 2010).

This study investigates the challenges facing an LED agricultural co-operative in the Greater Tzaneen Municipality of Limpopo with reference to the Nkomamonta case study. Fifteen individual farmers in the Greater Tzaneen Municipality of the Mopani District in the areas of Tarentaal, Deer Park, Thabina and Burgersdorp (which are in the rural areas), have got together and have formed Nkomamonta Organic Primary Cooperative in order to overcome poverty and to be able to get access both to markets and to funding. In 2006, LIBSA installed a drip irrigation system in each of the 15 farms. Nkomamonta started with 42 full time workers in 2003 and now has got 121. The commodities they produce are mangoes on 315ha, vegetables on 85ha and livestock on 105ha of land. It started to operate in 2003 as an association which then registered with SEDA in 2005 as primary cooperative. The cooperative qualifies by virtue of membership to become a secondary cooperative but their financial status does not allow it to have a qualified auditor to do its financial statements annually. Therefore, they are using an accountant, and also some farmers among them are not registered as primary cooperatives. The researcher believes there are many challenges that the cooperative is facing that each farmer can relate to. There are also successes that the cooperative has achieved such as supplying Woolworths with organic vegetables. They have a two tonne truck that is used to deliver vegetables but which is too small. They are about to provide Pick and Pay with beans, pumpkins butternuts, gem squash, Hubbard and sweet corn.

LIBSA bought them a compost tuner to be able to make their own compost to grow their vegetables and fruit. The cooperative is certified as an organic agricultural service provider by BSC which is a German Company. They have a business relationship with the Pleaid Foundation Investors Forum which is a Ford Company who has done their case study. They are currently getting assistance to get a pack-house from IFAD International Fund for Agricultural Development (IFAD). SEDA is busy installing an internet connection for them and a website (Mshwana 2011).

1.1.3 Type of assistance given to Nkomamonta Primary Cooperative by Seda

Adopted by Seda's Cooperatives and Community Public Private Partnership Unit.

Unlimited business advice by Practitioners

Seda has spent money to date for the following business development interventions:

Business Plans Development

Cooperative Training

Registration of Member Farmers as Primary Cooperatives

Quality Management System which includes Organic Farming and Global Good Agricultural Practice Certification Readiness which allows the cooperative to sell their produce even abroad

Assistance with Final Inspection for Organic Certification

Design and Development of Promotional Materials inclusive of Websites

Assistance with Cooperatives Incentive Scheme (CIS) Grant Application including the Development of Financial Statements and Management Accounts

The Department of Trade and Industry's Cooperatives Incentive Scheme grant was used to purchase a 2-ton truck which Nkomamonta is utilising to deliver their produce.

All member farmers attended the Hazard Analytical Critical Control Points Training conducted by Seda Technology Programme and Quality Enterprise Department (Makondo, 2012)

Interventions by LIBSA:

These cooperative were registered by LIBSA and their compost turner was bought by LIBSA too. LIBSA supplied them with seeds and a hectare of drip irrigation per each of the fifteen cooperatives. Every month, Nkomamonta utilises LIBSA's board room for meetings.

Interventions by the Greater Tzaneen Municipality (GTM)

Cooperatives data is collected and kept in the LED Division in order to supply other government spheres like the Mopani District Municipality, SEDA and others for possible assistance to any cooperative in GTM area. Also this will allow GTM to budget and assist in the form of incentives. TGTm also assists in lobbying for funds and in formulating the marketing strategy of agricultural cooperatives.



Picture 1: Water pump donated by SEDA

1.1.4 Milestone achieved by the Nkomamonta cooperative

In November 2005, registered as “Nkomamonta Organic Farmers Agricultural Primary Cooperative Limited” by LIBSA.

In 2006 and 2007, the cooperative was inspected for Organic Certification by Bio-Dynamic & Organic Certification Authority.

In August 2008, Trade Investment Limpopo facilitated the services of a mentor from PUM Netherlands Senior Experts to advise the Cooperative Member Farmers on organic farming.

Again in 2008, Woolworths introduced the cooperative to BCS ÖKO-GARANTIE GmbH and also provided an Agronomist to mentor the Cooperative Member Farmers in Organic Farming Methodologies. BCS ÖKO-GARANTIE GmbH, conducted inspection for organic certification in 2008 and 2010. Since 2008, the Cooperative has been operating on a standing Growers' Agreement with Woolworths to supply organic vegetables.

Facilitation of Unlimited Business Advice from Seda and its Stakeholders for example, Limpopo Department of Agriculture, Greater Tzaneen Municipality, Trade Investment Limpopo and Limpopo Business Support Agency (LIBSA).

Exposure to International Market – 2011 “Inward Buying Mission” facilitated by Trade Investment Limpopo in Partnership with the Department of Trade and Industry's Trade and Investment South Africa Unit.

Exposure tours to Agro-Processing and Postharvest Technologies, e.g. Limpopo Agro-Food Technology Station (LATS), The Johannesburg Market, (Makondo 2012). Dan Rose Primary Cooperative has got a chicken hatchery which was donated by the Department of Agriculture.

1.2 Statement of the problem

Employment in the Greater Tzaneen is still a great challenge. As a result there is a lot of housebreaking, theft of property and robbery. The Greater Tzaneen Municipality has the highest rate of HIV and AIDS in the Mopani District with 28,5% out of a sample of 247 subjects. The disease is partly caused by poverty, mobility and labour migration as well as informal settlements among other reasons (IDP 2009/2010). The estimated population as per the 2003 Status Quo Survey report of the Greater Tzaneen Municipality was 489974. According to the Department of Water Affairs & Forestry, the estimated population growth for the area between 2003 and 2013 is 128265 people (IDP 2009/2010).

The statistics also show that 27706 (29%) households do not have any source of income. While the rest of the households do have some sources of income, 70% of these households' income is below the minimum living levels of R9600 per annum or in other words, lower than R1600 per month (using 2000 as the base year). This clearly shows that the municipality has a huge challenge of initiating sustainable

poverty alleviation programmes. Among them the agricultural cooperatives are poised to be a vehicle for job creation. In the case of Tzaneen, the challenges that farmers face make this intervention insufficient as job creation intervention. This study will attempt to gather empirical evidence to resolve a real-life problem (Babbie & Mouton, 2003).

The reasons why the two farmers are not registered as primary cooperatives which makes the Nkomamonta cooperative not to be able to register as a primary cooperative will be investigated. I will find out the impact of this cooperative on the lives of the families of the employees and provide possible solutions to their challenges. This will assist the Greater Tzaneen Local Municipality and the Mopani District Municipality in knowing precisely what the challenges are so that the LED Division in the municipality can plan well during the Integrated Development Plan process in terms of the type of assistance that should be given to agricultural cooperatives while the DTI will be assisting the cooperatives to register including other logistics so that cooperatives can create job opportunities as promised by the government. Results from this study will be made available to organisations such as LIBSA, SEDA, DTI, the Mopani District Municipality and the Greater Tzaneen Municipality as there are many other cooperatives in the District that are also facing many challenges.

1.3 Aim of the study

The aim of the study is to investigate and analyse the challenges facing an LED agricultural co-operative in the Greater Tzaneen Municipality using Nkomamonta Co-operative as a case study.

1.4 Objectives of the study

The objectives of this study are as follows:

Identify the challenges agricultural cooperatives face during registration;

Investigate the challenges they face with regard to operational performance and access to finance;

Determine type of assistance given to cooperatives in terms of funds, skills, technical support, and information;

Assess the challenges faced concerning land allocation used for agricultural cooperatives; and

Make appropriate recommendations to address the challenges faced by cooperatives in order to improve their performance.

1.5 Research questions

The research questions of this study are:

What are the challenges that agricultural cooperatives face during registration?

What challenges do they face with regard to operational performance and access to finance?

What type of assistance is given to cooperatives in terms of funds, skills, technical support, and information?

How does the land allocation system operate for agricultural cooperatives? And

Which recommendations can be made to address the challenges faced by cooperatives in order to improve their performance?

1.6 Definition of concepts

1.6.1 The Cooperatives Act No. 14 of 2005 defines a cooperative as 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 organised and operated on cooperative principles. According to Hubbard et al. (2005) an agricultural cooperative is a cooperative that produces processes or markets agricultural products and supplies agricultural inputs and services to its members.

1.6.2 A primary cooperative is a cooperative where all the members are individuals. The purpose of a primary cooperative is to provide employment or services to its members and to promote community development. It takes five people to form a primary cooperative.

1.6.3 A secondary cooperative is a cooperative where the members are primary cooperatives. The purpose of the secondary cooperative is to provide services to its members relating to the sector where they are active. It takes two primary cooperatives to form a secondary cooperative.

1.7 Significance of the study

The study attempts to provide insights and possible solutions to challenges faced by cooperatives. This will ensure that the government's goal of creating job opportunities can be achieved. Thus, the study has policy relevance. Additionally it may provide cooperatives and their sponsor's some insights and guidelines on viable options when assisting cooperatives. Thus the study also informs practice.

1.8 Outline of research report

Chapter one provides a general introduction of the study. It provides a background to the problem, the aim and objectives of the study, as well as definitions of relevant concepts. Chapter two reviews literature covering the views of different scholars and policy makers on cooperatives. This is important as it lays foundation for understanding the nature and extent of challenges facing cooperatives, thus expanding the knowledge base of the topic. Chapter three outlines the research methodology and design. The design is essentially qualitative in a case study. This chapter also addresses the issue of data collection techniques and methods used in this study. Chapter four presents and interprets the findings. The chapter also includes a discussion of the results. Chapter five gives a conclusion, summarizes the findings of the study and provides some recommendations and prospects for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

Co-operatives are an integral component of Local Economic Development (LED) as they are aimed at poverty alleviation and job-creation. The International Labour Organisation (ILO) defines cooperative as an association of persons who have a common end through the formation of a democratically controlled organisation, making equitable contribution to the capital required and accepting a fair share of the risks and benefits of the undertaking in which members actively participate (ILO, 1998).

Review of the literature on agricultural cooperatives yields numerous definitions of cooperatives (McBride, 1986; Porter and Scully, 1987; Nilsson, 1997). The legal definitions of a cooperative vary depending upon the source, but most agree that a traditional cooperative is one that provides service at cost, is democratically controlled by its member-patrons and limits returns on equity capital (McBride, 1986:93). The owners of a cooperative are the same people who have access to the services it offers.

Knapp (1962:476) defines a cooperative as “a special type of business corporation serving those who are at the same time both owners and users of its services”. Porter and Scully (1987:494) define cooperatives as “voluntary closed organizations in which the decision-control and risk-bearing functions repose in the membership, and decision management reposes in the manager, who represents the principal’s interests”.

Le Vay (1983) states that the basic blocks in defining a cooperative are that it is an association of persons (either individually or institutions) who work together to achieve certain commercial objectives. According to Rhodes (1983), a cooperative is a special type of business firm owned and operated for mutual benefit by the user.

Nilsson (1997) defines an agricultural cooperative as an economic activity, which is conducted for the need of its members and is owned and controlled by these members. The International Cooperative Alliance (ICA) defines a cooperative 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” (ICA, 2005).

According to the National Cooperative Business Association (NCBA, 2007), people form cooperatives to exploit new markets and economic opportunities through self-help; provide themselves with services that would not have otherwise been available if provided individually; to strengthen bargaining power; maintain access to competitive markets; acquire needed products and services on a competitive basis; reduce costs; and manage risk. Hence, cooperatives exist to serve the interests of their members. Essentially, then, a cooperative is an organisation formed by a group of people who meet voluntarily to fulfil mutual economic and social needs through running a democratically controlled enterprise such that the benefits achieved through cooperation are greater than the benefits achieved individually (McBride, 1986; Nilsson, 1997; Krivokapic-Skoko, 2002; ICA, 2005; NCBA, 2007).

The social, moral and economic considerations which motivated the first Cooperative Societies of Europe in 1844 are still relevant to most cooperatives today (Zeuli and Cropp, 1980). The baseline study conducted by the Department of Trade and Industry (DTI) indicates that most co-operatives are located in Kwa-Zulu Natal, Limpopo, Gauteng and Eastern Cape. It is further stated that three of these provinces have a high percentage of their populations living in poverty, that is Limpopo (77%), Eastern Cape (72%) and Kwa-Zulu Natal (61%) out of a national average of 57%. The study found that 50% of co-operatives were located in rural areas and they operated from villages, townships and farms (DTI, 2009).

Agricultural cooperatives are pursuing new generation cooperatives because investment constraints arise as a result of free rider, horizon and portfolio problems (Chaddad and Cook, 2004).

2.2 The Cooperatives Act and its provisions

The Cooperatives Act of 2005 explains why we need cooperatives in South Africa as:

- Cooperatives are based on self-help, self-reliance, self-responsibility, democracy, equality and social responsibility as their values.
- A strong cooperative movement in South Africa can advance social and economic development by creating employment, generating income, promoting black economic empowerment and helping to end poverty.
- Cooperatives will strengthen the South African economy by creating large number of sustainable economic enterprises in wider variety of sectors.
- The South African government is committed to providing a supportive legal environment that will help cooperatives develop and succeed.
- The new law in cooperatives will make sure that the cooperatives principles are followed in South Africa.
- The new law on cooperatives will make possible for the cooperatives to register with the government and to have their own legal status.
- The new law will make it easier for the government and others to provide support to new cooperatives, particularly cooperatives owned by women, black people, youth, people who live in rural areas and people with disabilities (Hubbard 2005).

Levels of cooperatives with reference to Section 1.4(1) of the Cooperatives Act, No 14 of 2005:

- Primary cooperative which is where the Nkomamonta Cooperatives is, currently,
- Secondary cooperative and
- Tertiary cooperatives

According to the Cooperatives Act No 14 of 2005 there are nine types of cooperatives of which the agricultural cooperative in the case of this study is the focus point.

Agricultural co-operatives may be organised according to function such as:

Production co-operatives which permit farmers to organise their farms as cooperative corporations.

Supply co-operatives purchase products and services and required inputs for agricultural production for their members.

Service cooperatives provide a wide variety of services and were initially formed to serve farmers with e.g. horticultural advice that is otherwise very expensive for an individual farmer to obtain. Agricultural marketing co-operatives are frequently organised according to farm commodity or groups of commodities such as sugar, grains, maize and poultry to produce or store and market agricultural products. Marketing co-operative structures may function as contract and price-bargaining co-operatives, or may be involved in processing, assembling and packaging as well as selling members' products on both domestic and foreign markets.

Purchasing cooperatives buy supplies and goods and sell these at a reduced price to members. These lower the costs for members. This type was first used by farmers to gain access to affordable and quality supplies such as feed and fertilisers (DAFF 2010).

2.3 Principles of a cooperative

The Rochdale Society of Equitable Pioneers first set out the Cooperative principles in 1844. They began by opening a cooperative store that sold items such as flour and sugar to members, and the society quickly expanded into other enterprises (Zeuli and Cropp, 1980; Ortmann and King, 2007a). Presently, cooperative businesses are owned by the members they serve; hence, like all forms of business undertakings, they are guided by a set of principles. The adoption of these principles ensures that the organisation's primary objectives is one of member service, rather than one of long term profit maximization as in a non-cooperative business.

The United States Department of Agriculture (USDA) incorporated three basic cooperative principles in their government regulations. These are: the user-owner principle: persons who own and finance the cooperative are those who use it; the

user-control principle: control of the cooperatives is by those who use the cooperatives; and the user-benefit principle: benefits of the cooperative are distributed to its users on the basis of their patronage (Birchall 2004)

The first three principles specifying openness, democratic control and the source and management of capital, are fundamental ones and have remained constant with the ICA principles. Modern cooperatives reward investors – including external investors in some cases – with dividends, capital gains and even voting rights. These company-like institutional arrangements are not consistent with the principles underpinning traditional cooperatives.

2.4 Co principles of cooperatives are:

- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for community (**DTI 2005**)

2.5 Registration of cooperatives

The Registrar of cooperatives must register the cooperative if:

- The application satisfies all the requirements in the Cooperatives Act
- The constitution of the cooperative meets all the requirements in the Cooperatives Act.
- The constitution of the cooperative adheres to the cooperative principles.
- The proposed name of the cooperative follows the rules in the cooperatives Act.

Once the cooperative meets all these conditions, the certificate will be awarded. Once the cooperative is registered, the Department of Trade and Industry will be able to give it special support if it follows the cooperative principles.

2.6 Constitutions

Each cooperative must have a constitution according to the Cooperatives Act of 2005 which includes the:

- **General matters** such as name, level, number of votes and allocation must be included.
- **Membership** should indicate the requirement for applying for membership, duties of members and rights, rules for the transfer of membership and member loan. The requirement for voluntarily withdrawing from membership, notice period for withdrawal and repayment of shares, and any rules imposed about a member's liability on behalf of the cooperative for a certain period of time after withdrawal. The rules and procedures for suspending membership and for terminating membership.
- **Meetings:** minimum notice period, conditions and procedures members must follow to request it and the quorums for general meetings which must be large enough to ensure meaningful member control and decision making should be included. Rules should also include procedure for voting and for passing a resolution instead of holding a meeting.

According to Section 32-33, 27(3) on management matters: there should be rules for appointment of a chairperson, vice chairperson and acting chairperson.

Sections 40-46 of the Cooperatives Act on finances states that there should be dates of the financial year of the cooperative, rules on how surplus funds that have been placed in a reserve fund can be used, and how the surplus funds that are not placed in a reserve fund can be utilized and rules for distribution of assets of the cooperative if it is dissolved.

2.7 Grants and donations

They assist a cooperative that is struggling but can contribute to dependency. They can mean that cooperatives do not become self-reliant. If a cooperative depends on

grants can loss autonomy as many grants will have prescriptions and conditions attached according to the agendas of the funding bodies (Macaskill 2011).

2.8 Loans

Applying for loans is an important way to purchasing equipment and paying for training of co-operative members. Due to high interest rates and services fees access to many poor South Africans is rare.

Agricultural Cooperatives that can afford loans get assistance from Standard Bank, Absa, First National Bank and the Land Bank which provide finance to all sectors of the agricultural economy and agri-business and welcome cooperatives because they even have cooperatives Incentive Schemes. Provincial development agencies, for example the Limpopo Business Support Agency (Libsa), give financial assistance to cooperatives (Macaskill 2011). Capital structure allows members to contribute and be paid by shares for the contribution made.

2.9 Co-operatives: An international view

Modern cooperatives originated in Europe in the late 19th century, during the Industrial Revolution (Hoyt, 1989; cited by Ortmann and King, 2007a). These cooperatives were seen as social and economic alternatives to the impact of emergent industrial capitalism (Philip, 2003). While some cooperatives have failed, others have survived for many years and are successful. According to Philip (2003), cooperatives grew within five distinct traditions and among them is the agricultural cooperative, which was first established in Denmark, Spain, Poland in 1816 and Germany;

Most agricultural cooperatives in the United States of America originated in the early 1900's due to economic, farm organisation, and public policy factors (Cook, 1995). Cooperatives were formed mainly for two reasons, namely: individual producers needed institutional mechanisms to bring economic balance under their control, usually because of excess supply-induced prices. This was particularly the case immediately following World War I, when an agricultural depression was severe. And

secondly, individual producers needed institutional mechanisms to countervail opportunism and hold-up situations which were common in the late 1800's and early 1900's in the U.S. (Cook, 1995). Most United States of American agricultural producers worked collectively for defensive purposes, to depressed prices and/or market failure. About 12 000 agricultural cooperatives were formed in the subsequent ten years. History shows that successful cooperatives often evolve in institutional structure to become more similar to investor-owned firms over time (Cook, 1995). Restrictive legislation or tax benefits afforded to cooperatives can restrain this natural evolution.

2.10 Challenges facing cooperatives in developing countries

According **Iran Daily News** of the 1/12/2005, the cooperative sector enjoys a strong legal basis in the Iranian economy, but its contribution to economic growth has been limited due to lack of resources. Cooperatives bodies, especially affiliated production units, mainly suffer from lack of capital, limiting their chances of emerging strongly on the scene. Cooperatives can assist the government to rein in poverty and joblessness by redistributing wealth and employment resources.

According to the Ministry of Business, Enterprise and Cooperatives in Mauritius (2009), despite the progress made by co-operatives, they still face one or more of the following problems: lack of capital, archaic management, no strategic planning, poor leadership, low productivity, lack of rigorous control mechanism, poor participation of co-operators and an ageing population.

2.11 Cooperatives in African countries

Cooperative movements have endured and thrived in many African countries that are still developing. Most agricultural cooperatives in the developing countries focus more on product marketing and input supply as opposed to production (Ortmann and King, 2006). The introduction of cooperatives to English speaking African countries was based on the experience gained by the British colonial administration in Asia. African farmers grew crops such as coffee, cocoa, cotton, peanuts and rice. The British colonial system marked the enactment of cooperative legislation, which also provided for the establishment of a cooperative union and the appointment of a

Registrar of Cooperative Societies. According to Machethe (1990), the majority of people in less-developed countries live in the rural areas and survive on a low income earned through subsistence agriculture. In the case of South Africa, agricultural cooperatives in the former homelands were generally not successful in promoting agricultural development. Machethe (1990) mentions some of the reasons as lack of membership identity with their cooperatives, lack of understanding cooperative principles, and the inability of members to dismiss inefficient management.

2.12 Roles of agricultural cooperatives in developing countries

2.12.1 An overview

Agricultural cooperatives have been promoted in many less-developed countries instruments of nurturing agricultural development. In the SADC region, agricultural cooperatives are considered important for providing services (e.g., market access, extension) to small-scale farmers and agribusinesses that contribute to poverty reduction and economic development. For example, in South Africa, cooperatives in the past dominated the distribution of agricultural inputs and intermediates such as seed, fertilizer, fuel and repair services. The establishment of cooperatives can result in various advantages for their members. Cooperatives can supply services to their members which other suppliers are unwilling to do. They can increase the bargaining power of individuals enabling them to obtain services and products at more favourable prices. Von Ravensburg (1999), as cited by Van der Walt (2005), adds that bargaining power obtained not only contributed to the goals of individuals, but the forming of cooperatives can also contribute to the alleviation of poverty, especially amongst the less privileged communities. Bhuyan and Olson (1998:7) consider the cooperative an ideal type of business to concentrate on as it contributes to the socio-economic needs of its members. In rural communities, the cooperative can play an important role as the economic engine for creating jobs and increasing rural income (Van der Walt, 2005).

Whilst some authors such as Nilsson (2001) and Hakelius (1996) underline the economic role of agricultural cooperatives as establishing new markets, vertical

integration and their competitive advantage, others stress their role as part of the social economy such as influencing governmental policy and production cooperatives as a stabilizing factor in the labour market indicated (Bouckova 2002). According to Lyne and Collins (2008:180), “agricultural cooperatives are often viewed as appropriate vehicles to facilitate vertical coordination with, or horizontal integration between, small farmers who would have been excluded from value-adding opportunities and discerning markets”. Agricultural cooperatives have allowed people to achieve objectives such as provision of credit, management techniques and supply of production inputs relatively cheaply and on time which was not feasible if they had acted individually (Machethe and Van Rooyen, 1983).

According to Harmse (2009), existing small, micro- and medium enterprises at local level can make an important contribution to local employment by enhancing the employability of the vulnerable and often socially excluded in local areas and consolidate partnership and empower local actors. However, the situation is that the existing enterprises have not accomplished what they are meant to and are able to do, and these enterprises are too weak to survive on their own, disregarding their potential to contribute to employment and income generation. Kirsten et. al. (1998) indicate that the ability of co-operatives to mobilize financial resources and risk capital remains problematic. According to Guzman et al. (2007) the survival of a company depends on achieving stable growth in income and in obtaining sufficient profit to remunerate all the agents that intervene in the process of generating

added value; and as such cooperatives are not above such conditioning factors. They ought to consider reaching their optimum dimension based on both external and internal growth.

2.12.2 Sustainability of cooperatives

Royce (2004) is of the opinion that the ability of co-operatives to creatively adapt their management systems to changing social, technical and especially economic conditions will, to a large extent, determine sustainability. In 2000 Prakash said cooperatives are strained by limited economic benefits for their members yet the entire business revolves around economic benefits that members expect from the

agricultural cooperatives. This discourages members from participating and erodes confidence in leadership of the cooperative because the incentive structure for attracting membership remains marginal due to limited economic benefit (Chambo (2009). Chambo (2009) further says that lack of incentives also has led to agricultural cooperatives to be unable to attract the right leadership and management. If appropriate and effective management rewards and incentives related to profits were always possible to be offered to managers and employees, they would bring some advantages to members according to Cobia (1989).

Harmse (2009), lists issues such as lack of coordination between different government departments, lack of database of the projects that exist in local municipalities, lack of feasibility studies on projects, low literacy level at project level, lack of sustainability and self-reliance concerns at project level, and lack of coaching and mentoring as the challenges that municipalities face. Furthermore, he argues that cooperatives are faced with the same challenges as any other business firm and must create value. They must produce goods that customers or members desire at prices they are able and willing to pay. They face the same or very similar macro- and microeconomic restraints as other firms.

The history of cooperatives in South Africa dates back to late 19th century, when Natal was the first province to establish commercial farm cooperatives in 1892. These were the Pietermaritzburg Cooperative Society and the Natal Creamery Limited.

In 1908, the South African Cooperatives Act was formulated (Barratt, 1989:8). The first cooperative in the Orange Free State was only established in 1911. The development of agricultural cooperatives in South Africa was characterised by periods of distress with the accompanying government support (Smith, 1979). These periods included the Anglo-Boer War and the Great Depression. Many cooperatives in South Africa were only established after the end of the Anglo-Boer war when commercial farmers, whose livelihoods had been displaced by their long absences from the land, lacked start-up capital. The government established the Land and Agricultural Bank of South Africa in 1912 to provide loans to farmers. This led to agricultural cooperatives reaching a high turnover of R549 million in 1958 (Barratt, 1989:8).

The Land and Agricultural Bank, formed in 1912, absorbed the provincial banks of the Transvaal and the Orange Free State Societies with unlimited liability and cooperative “companies” with limited liability increased (Strickland, 1937). This increase only became rapid after 1922 when the Cooperative Societies Act for the entire Union was implemented. The history of black people’s cooperative enterprise in South Africa has until recently been very limited, and is largely restricted to credit unions - the first formal example of which was registered in 1928. SA farmers are faced with a dynamic global economic and trade environment caused by the liberalisation of international markets (Birchall, 2004).

2.12.3 Reducing poverty

The DTI (2009) reports that most emerging co-operatives in South Africa are not at the point yet where they are able to do reduce poverty. They should be supported towards the development of skills and abilities in certain key agricultural cooperatives sector. After they are trained, cooperatives will also be able to offer more to their communities than employment opportunities by providing market access and essential services to the residents. They will also help develop local leadership that can start and lead other social and business ventures (Zeuli et.al., 2003).

McGlynn (1986) also supports the training necessity by indicating that the lack of adequate education is a challenge.

If members’ concerns are to be heard and addressed, if their attitude about their role in the cooperative are to be positive, and if their understanding of pricing, capital programs and equity redemption plans are to be sufficient to sustain a healthy organisation, constant education must be established as a policy and be implemented.

According to Kirsten et al. (1998) countervailing market forces justify the existence of co-operatives where members are or could be exploited by monopolistic structures in their market dealings. There is a challenge of integrating community attitudes and values with sound business practices and management.

Again according to Prakash (2009), internal factors that enhance the impact of agricultural cooperatives include viable, strong vertical structural support, trained

professional and motivated staff, enlightened, dedicated and selfless leadership to encourage member's involvement and participation. External factors include positive support and helpful role of the government, market reforms, reasonable rate of growth in agriculture/economy, availability of basic infrastructure, and healthy linkages with regularly and development agencies and institutions.

Mkhabela (2005) indicates that many small scale vegetable producers experience problems because they sell small quantities of vegetables to finance daily domestic requirements. Is it economically viable to process these small quantities to expected qualities? Various constraints are responsible for low income of vegetable-based cropping systems. Over the years the vegetable based crop farming has succumbed to a variety of constraints such as productivity, market, technology, and institution related constraints. These constraints have led to the decline of farmers' income from vegetable-based cropping system (Mkhabela, (2005).

2.12.4 Cooperatives: a conundrum

Lafleur (2005) explains eight challenges that cooperatives usually face: Firstly, he argues that co-operatives face the challenge of cooperative governance – the

democratic powers and duties of the cooperative are firmly established on the members. Good managerial practices for this challenge are practices of information dissemination, transparency, representativeness on the board of directors and consultation activities such as internal surveys, information meetings and broader participation in certain cooperatives. Secondly, there is the challenge of inter-cooperation, that is, there should be cooperation among cooperatives. To that end, Lafleur (2005) also identifies federative practices as necessary conditions for success such as sharing not only labour, expertise, and office space, but also risk, joint purchasing, and promotion.

Thirdly, the challenge of capitalization and investment is mentioned, that is, the processes of investment and capitalization offer a challenge, especially as regards to sourcing.

Fourthly, Lafleur lists the challenge of cooperative values: the basic premise of the cooperative is to bring together people who share a common need. The individuals

formed into a cooperative want to build a project according to cooperative values. Fifthly, there is the challenge of the value of use - the entire cooperative management process is geared to maximizing the relation of member use or member advantages.

Sixthly, the author mentions the challenge of community development. The prime objective of a cooperative is to offer its members better services and products. Yet, along with striving to attain this objective individually and collectively, contributing to better development of the community is inherent to the nature of the cooperative. Through its membership, the cooperative belongs to the community and traditionally returns a "social dividend" to the community.

Seventhly, the challenge of cooperative education is mentioned; that is, the cooperative managers and administrators must acquire the tools for analysis, decision-making, implementation that mirror the cooperative identity in a broader sense than traditionally defined as cooperatives education.

Lastly, there is the challenge of products and services - cooperatives are formed to address needs by the offer of products and services within the framework of cooperative development. McGlynn (1986) also mentions that evaluation is another challenge, and should be done in the form of an annual report process. He also states that legal foundations are a challenge which includes basic contract law, banking and insurance laws, workman compensation, unemployment insurance, security laws, state tax laws and uniform commercial codes. In summary, he observes that the challenge to cooperative leaders is to have reliable information readily and potentially available upon which decisions can be based.

Stewart (2005) observes that co-operatives provide the potential for pooled resources' to enhance economic clout. They provide individual members with a vehicle for collective economic action that can result in them acquiring substantial advantage when negotiating in the market place. A well run cooperative can pool its production outputs and negotiate larger contracts and discounts for members. Also a successful cooperative provides its members with a sustainable independent source of income (Stewart, 2005).

2.12.5 Success or failure

Phillips (1997) states that producer cooperatives in South Africa are often unsuccessful because they are started before due diligence is done, are set up in areas where even normal business would struggle to survive, they do not pay attention to the economic fundamentals of cooperative projects and to practical issues of production organisation and financial management and planning, they tend to hire more labour than their production capacity can carry, they also lack skills and lack sense of ownership because projects are fully funded through grants, hence there is hardly any financial contribution by the members.

Department of Labour (2004) Worker cooperatives in KwaZulu Natal, Gauteng, Eastern Cape, Mpumalanga and Western Cape cite the following as their challenges: lack of government policy governing and supporting cooperatives,

limited resources, such as lack of skills and access to finance, lack of market opportunities, lack of access to suitable working premises, lack of transport facilities and raw materials, lack of access to information on available support services.

According to Jaffee (1988) the reasons for South African producer cooperative failure are lack of planning, lack of financing, poor marketing, poor education, problems with expansion, isolation and breakdown of democracy.

Adatto (1993) acknowledges that South African cooperatives are fragile, underdeveloped and not viable because they are built on margins of the economy, among the worst disadvantaged and desperate sectors of the community. He further says they are found to play a short term defensive role and form a rear-guard against the worst ravages of capitalism.

Oldham et al. (1991) found out that the South African producer cooperatives that have failed outnumber the ones that have succeeded. The discovered evidence was lack of maintenance and expansion of capital, lack of innovation in the design of new and improved products and absence of marketing skills. Lack of access to markets and lack of access to credit and information, as reported by Lyne and Ferrer (2006), are still hampering South African agricultural cooperatives. These constraints result in limited cases of successful agricultural cooperatives in the Republic of South Africa (Ortman & King, 2007).

2.12.6 Access to land

Dlamini (2010) states that the production capability of the co-operatives that the study was done on was hampered by resource constraints such as lack of access to land. Traditional Authorities are responsible for land allocation in the areas where 3 cooperatives are based. Shortage of land appeared to be the common production constraint faced by these cooperatives. Market for the produce is available but cooperatives are struggling to keep up with market demand. Marketing, transportation and financial management capability of these cooperatives were hampered by poor networking skills, poor infrastructure and low literacy levels. It was further mentioned that management capability in the researched cooperatives was challenged by complex group dynamics characterised by conflict of opinions and issues related to free-rider, horizon, and portfolio problems. Low capability of the co-operatives to mobilise resources, use of the limited resources available and low capability to manage institutional arrangements rendered the cooperatives ineffective in achieving their set objectives.

According to Dlamini (2010) poor infrastructure and poor provision of information to cooperative members by professionals, particularly extension officers are challenges. The manager also reported a need for extension workers to explain how cooperatives work, highlighting the procedure for accessing funds to other cooperative members. Dlamini (2010) claims poor networking with potential buyers due to illiteracy is a challenge, too. These problems also lead to poor financial management and inability to mobilise resources. The cooperatives face institutional constraints such as unsatisfactory decision making, and lack of commitment due to weak institutional frameworks.

2.12.7 Environmental factors

Others researchers like Myburg (1994) found out that the challenges that affect small black farmers and white farmers in the Eastern Cape are very different. White farmers' challenges are environmental factors which are the frequent recurrence of drought which has devastating impact on economic returns, stock numbers and employment. The time that is needed for the natural vegetation and pasture to

recover from drought impacts negatively on the areas of the Eastern Cape (Davies et al., 1995). The Koonap Farmers Association (1984) complained about government failure to provide drought relief. They also indicated that in other areas there had been no shower in excess of 10mm over the past 10 months and that no stream flow had occurred since August 1981. These farmers are sometimes forced to reduce livestock to avoid over-grazing of pastoral properties.

Economic factors - the white farmers are also affected by fluctuating of prices. These farmers feel that drought aid from the government will not be available for them in the new South Africa, so sustainable farm planning is essential for their success in the dry lands with constant monitoring of farm cost and income to ensure a proper cash flow. In 1992/1993 drought relief from the government to white farmers amounted to R1044 million.

The unfortunate reality is that farmers are being subjected to an escalating incident of stock theft. In the first half of 1996 alone, 38000 head of stock valued at R40million were stolen from farms in the Eastern Cape.

Political factors - there is lack of security which is discouraging essential new investment in the properties in the Eastern Cape. White farmers fear that as government tries to provide more land for black farmers that of expropriation of their land may be one option. They pointed out that moves against them will not only harm South African economy but will also affect the black rural worker and exacerbate the drift to towns (Sigh 1993). Escalating violence against white farmers, where one farmer was killed a week in 1997 has wrecked a heavy toll on the economy and psychology in the area.

2.12.8 Management in cooperatives

According to Zeuli (2004), co-operatives are difficult to manage. Group dynamics leading to such difficulties include members' lack of trust mostly between the ordinary members and committee members. Lack of regular meetings was found to be a challenge too. While intervention from extension staff is imperative, members themselves need to play their role in terms of transparency by holding meetings and discussing daily operations (DTI, 2005) Information from the interviews that were conducted by Chibanda (2009) indicated that members of the selected agricultural

cooperatives do not fully understand cooperative principles and have high expectations of potential benefits of being members. Attempts to engage in farming, particularly by the rural resource-poor communities, is a risky venture, owing to a number of operational and procedural factors (Machete, 2004). Collective farming presents even more prominent risks due to a number of structural issues that need to be considered (Kirsten, 1998).

2.13 Empirical studies on failures of co-operatives in South Africa

A study conducted by Machete (1990) interviewed members of six agricultural co-operatives in a former homeland of South Africa.

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

A number of studies have been conducted around barriers to market participation of smallholders in KwaZulu-Natal. Gadzikwa (2006) investigated the appropriate institutional and contractual arrangements for the marketing of organic crops produced by members of Ezemvelo Farmers Organisation in KwaZulu-Natal. Analysis of free-riding behaviour in this study suggests that free-riding poses a serious threat to EFO's collective marketing efforts. The study showed that members who are male, poorly educated, partially organically certified, aware of asymmetrical information related to grading procedures, and who did not trust the buyer are more likely to free-ride. The results suggested that the Ezemvelo Farmers Organisation is more likely to survive if it continues to secure information, transport, fencing and certification services for its members, and if it improves the benefits of participating by synchronising harvest and delivery dates. Negotiating price discounts for organic inputs and by maintaining an office with telephone, fax and postal services was also found to be important for success of this farmer organisation (Gadzikwa *et al.* 2007).

The summary of threats and barriers as per findings of the studies (Machete, 1990; Mthembu, 2008; Thamaga-Chitja, 2008) are presented as follows:

members' lack of understanding of their co-operatives' role
lack of access to relevant market information, market location, pricing and crop management handling (Mthembu, 2008)
lack of knowledge and information in production, soil nourishment and disease control (Thamaga-Chitja, 2008) failure of co-operatives to involve members in policy decision-making and to compete with other businesses (Machete 1990)

inability of co-operatives to provide sufficient credit and to dismiss inefficient management
fencing, irrigation, appropriate extension, illiteracy, non-conducive policy environment (Thamaga-Chitja, 2008)
lack of relevant facilities for storage, processing and packaging to retain quality and add value to products (Mthembu 2008)
lack of communication services, relevant marketing skills, land and own transport (Mthembu, 2008)

3. Conclusion

Chapter 2, the literature review, covered the views of different scholars on the subject and also reflected on the views of policy makers on cooperatives. It looked at the legislation governing cooperatives, how they are constituted, their role and challenges. It, thus, laid the foundation for understanding the nature and extent of the challenges faced by cooperatives, thus expanding the knowledge base regarding cooperatives. The chapter was able to do this by reviewing cooperatives both from developed and developing countries which comprised of international and empirical studies on cooperatives. Chapter 3 looks at the methodology used in the execution of this study.

CHAPTER THREE

RESEARCH DESIGNS AND METHODOLOGY

3.1 Study area

The study area is the Nkomamonta Primary Cooperative in the Greater Tzaneen Municipality. Nkomamonta Primary Cooperative has 15 farms, all of which were part of this study. The Greater Tzaneen Municipality (GTM) is situated in eastern quadrant of the Limpopo Province within the Mopani District area of jurisdiction, together with Greater Giyani, Ba Phalaborwa, Letaba. Polokwane lies to the west, Greater Letaba to the north, Ba Phalaborwa and Maruleng to the east and Lepelle - Nkumbi to the south. GTM has land which is comprised of 3240 km² and extends from Haenestsburg in the west to Rubbervale in the east by 85 km and just south of Modjadjiskloof in the north to Trichardtsdal in the south by 47 km. The distance from GTM to Polokwane is 92 km. In addition, the GTM has 125 rural villages where 80 % of the households reside. The municipal area is characterized by extensive farming activities such as commercial timber, tropical and citrus fruit production.

3.2 Population

The target population is defined by Babbie and Mouton (2003:100) as that group of people, items, objectives or elements who meet the designated set of criteria for the study and about whom one wants to draw a conclusion or conclusions. In this study, the target population was the 121 members of Nkomamonta from 16 farms, namely, from Danrose Cooperative which is 55 hectares, from Kingdom Cooperative (99 hectares), from Kayaravo Cooperative (198 hectares), from Mabuza and Sons Cooperative (42 hectares), from Phangweni cooperative (56 hectares), from Elangeni (27 hectares), from Majahava Cooperative (8 hectares), from Samuel Mhlaba farm land and from King Phillip farm, Nsolani Irrigation Scheme, Nwa Rex farm, Jera Jeff Farm, Kulani farm, Nana Navo farm and Deer park farm as well as the SEDA and LIBSA in Nkowankowa.

3.3 Sample size and selection method

A sample was drawn as follows:

3 employees from each farm to give 48 employees

2 LED officials in the municipality

1 official from SEDA

1 official from LIBSA.

1 official from the Department of Agriculture

8 community members are the customers for focus group discussion. This gives the total sample size of 61 subjects.

The Greater Tzaneen officials in the LED office, SEDA/LIBSA officials were included because they are working with the cooperatives and therefore they have relevant information. Employees have information on the operations of the cooperative and the community are a key stakeholder as they buy their produce from the cooperative.

3.4 Data collection methods

The researcher conducted informal visits to the selected co-operatives for an introduction of the research topic and to confirm members' consent. The aim was to win the trust of the co-operative members through visiting and be known as Greater Tzaneen Municipality Employee but not visiting them on municipal matters but research matters. However, the best thing was I was not the first researcher who visited them to get information, but their concern was that the people who visit them for information do not come back and give them feedback of the research. Some farmers wanted to know if the researcher had a sponsor who was paying her for the information that the researcher is collecting, so those areas had to be cleared first before information was given. Baseline information and observation was collected and done during the informal visits. One of the questions that can be directed to any researcher who collected information from people could be whether the methods of data collection obtained a true reflection of the participants' opinions (de Vos, 1998).

To improve the truthfulness and the reliability of results, different measuring instruments were used for this study: observation methods, focus group discussions

with Force Field Analysis (FFA) and survey interviews were employed as the data collection techniques.

3.5 Interviews

The fundamental aim for the study was to gain more detailed information to address the problems from individual members. One-on-one interviews were carried out with cooperative members in order to avoid domination of certain individuals in focus group discussions, and to allow individuals to express themselves and give honest responses without being intimidated by others (de Vos, 1998). While the questionnaires were designed in English, all the interviews were conducted in xi Tsonga, the local language of the areas. The initial sampling plan for the survey was discussed in 3.3. However, it was discovered that one Agricultural Cooperative is no longer there because the 3 members passed on and the person who remained behind has no interest in joining the Nkomamonta Agricultural Primary Cooperative. This place remains open and brings down the population target from 61 to 58. The Jerry Jeff and Nwa Rex and the Kulani cooperatives are not active, too, due to lack of land to grow their products and the sample further decrease to 52.

The type of data that was to be collected include: satisfaction of employees, issues of registration, adequacy of capital, operational performance, access to finance, strategic planning, leadership, markets, type of assistance given to cooperatives (skills, funds, technical support), productivity, participation and so forth.

3.6 Focus groups

Detailed data was collected from the focus group discussions with customers, members of the cooperatives, workers, Greater Tzaneen Municipality, SEDA and LIBSA. Brierty (1999) states that focus group discussions are one way of extracting a small sample and obtaining feedback. The thought of one participant in the focus group discussion triggers thoughts of other participants, and extensive feedback can be obtained from focus group discussions (Dummon & Ensor, 2001).

I observed the conditions of the farms, looking at the challenges I could pick up even before they could tell me. I observed the happiness of the workers with their work.

Observing the quantity and quality of crops versus the number of employees they have, the profit and imagining how much they were earning and also taking into consideration that unforeseen circumstances like disasters do take place. The facial expression of the respondents as they were interviewed was observed and in some farms it was discovered that they were no-go areas in terms of member's participation and sharing of profit. It is here that it was discovered that some members are not participating but want to share the proceeds of the sweat of others. It was also observed that male children who are also cooperative members and work as managers are hard workers and consequently put all their hearts into this business.

In a case of advantages and disadvantages of collective farming, according to IOWA State University Extension ISUE (2001), advantages are forces in favour of collective action and disadvantages are forces against collective farming.

I discussed the probability of strengthening the positive forces and minimising the negative forces with the participants. At the end, all discussed pros and cons of collective farming were clear, sound and explainable.

To expand on pros and cons of collective farming, focus group discussions were held with non-members of co-operatives from the three different communities in which the co-operatives were found. Although the information obtained from the focus groups was descriptive and useful. The observation method was also used during the study period largely complementing the focus group discussions. Table 1 below shows the composition of the focus groups by gender. To that end four Focus Group Discussions were done as follows: one with cooperative members, one with cooperative employees, one with officials (SEDA, LIBSA, Municipal and government officials) and another one with the customers.

Table 1: Combined focus group participants by gender:

Gender	No	Status
Male	09	Nkomamonta Cooperative Members
Female	04	Nkomamonta Cooperative Members
Female	03	Nkomamonta Cooperative

		employees
Male	08	Nkomamonta Cooperative employees
Male	02	Greater Tzaneen Municipality
Female	01	SEDA
Male	01	LIBSA
Female	14	Focus Group Discussion (customers)
Male	05	Focus Group Discussion (customers)
Female	01	Department of Agriculture

3.7 Data analysis methods

Because the questionnaire was semi-structured, techniques for the analysis of both qualitative information and quantitative data were used. Microsoft Excel was used for the quantitative parts of the analysis while a thematic approach was used for the qualitative data. Therefore, themes were identified and broad categories defined into which the relevant pieces of information were slotted and analysed. Graphs, tables and figures are be used to illustrate the findings.

According to Kumar (2005:10), descriptive research systematically describes the situation, problem, phenomenon, service or programme or provides information about the living conditions of a community or describes attitudes towards an issue.

3.8 Ethical consideration

Welman, Kruger and Mitchell (2006:201) indicate that there are four important ethical considerations that a researcher should pay attention to, namely informed consent, right of privacy, protection from harm and involvement of the researcher. These

ethical elements were duly complied with in this study. The researcher did apply for the permission to conduct the study in writing from the Ward Councillor where the cooperatives are located. Respondents were asked to sign a Consent Form to participate in the study and a Letter of Confirmation of Confidentiality of the information was given to the respondents. There was no harm to the respondents, whether psychologically or emotionally. No such questions were included in the instrument. The names of the respondents are not appearing in the report to ensure anonymity and to avoid the likelihood of any views expressed in the report being linked to them. Respondents did participate voluntarily, which means that they could participate or stop at any point in time during the interview.

3.9 Conclusion

In this chapter, the research design, data collection and analysis methods were presented. It also presented the composition of the focus group discussion by gender. Observation of ethical considerations made the participants to feel free to give out the required information for the study. The next chapter (Chapter 4) will look at data analysis and interpretation.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This study investigates the challenges facing an LED agricultural co-operative in the Greater Tzaneen Municipality of the Limpopo Province with reference to the Nkomamonta case study. Fifteen individual farmers in the Greater Tzaneen Municipality of the Mopani District in the areas of Tarentaal, Deer Park, Thabina and Julesburg were selected to participate in the study of challenges facing agricultural cooperatives in the Greater Tzaneen Municipality with reference to Nkomamonta. All these areas are located in the rural areas. Although they are one agricultural cooperative, they are allocated in different areas of the Greater Tzaneen Municipality. The main aim was to be sustainable, build team work and to get access to markets (to retailers such as Woolworths and Pick and Pay) as well as funding. Interviews were done with each of the agricultural cooperative members and the chairperson of Nkomamonta Primary Cooperative and this is what they indicated as the challenges facing the cooperative.

The objectives of this study are as follows:

- Identify the challenges agricultural cooperatives face during registration;
- Investigate the challenges they face with regard to operational performance and access to finance;
- Determine type of assistance given to cooperatives in terms of funds, skills, technical support, and information;
- Assess the challenges faced concerning land allocation used for agricultural cooperatives; and
- Make appropriate recommendations to address the challenges faced by cooperatives in order to improve their performance.

4.2 Challenges agricultural cooperatives face during registration

The study discovered that Ephangweni Agricultural Cooperative is not registered due to search of best members who are interested to be partners in the agricultural cooperative business. Due to ill health, the spouse to the member is inactive and the other member as well is old and his health is also not good. There is high probability of the cooperative collapsing.

4.3 Challenges cooperatives face with regard to operational performance and access to finance

4.3.1 Transport

The Nwa Rex Agricultural Cooperative mentioned that they hire a bakkie to transport their produce from their farms to the pack house, and then an Nkomamonta truck takes the produce to Delmas and Tana Estate in the Gauteng Province. The truck they are having is too small to carry all their produce which results in lot of produce being sold to the local market by individuals. The Nwa Rex respondent further stated that sometimes they carry by head the produce and knock door to door to sell it.

4.3.3 Markets

The Kingdom and Duisselwop Agricultural Cooperatives mentioned that they sometimes sell in the open market where competition is stiff, such that if the crops are good the open market will purchase the crops. A representative from Kingdom also mentioned that they plant their crops early so they penetrate the market first before the white farmers are ready to sell. Places like MacDonald who buy and sell fresh produce to individuals only purchase from black people when white farmers crops are not ready for the market. They, however, also sell to Spar. The market is too small to accommodate all Nkomamonta Agricultural Cooperative members. They feel that Woolworths South Africa is not big enough to take all the produce from their members and the criteria they use to purchase disadvantage them. They hope the market will be large enough now that they will also be supplying to Pick n Pay.

4.3.3 Infrastructure

Roads were mentioned in focus group discussions as a big challenge especially when it rains. Customers cannot access the farms or they must use a very long winding way to reach the entrance of the farm in order to purchase as if they were hawkers. Sometimes customers purchase in groups because it is not safe to go alone due to over-grown vegetation on the sides of the small roads to the agricultural cooperative, because when it is overgrown, it is hard to see from the distance. Participants in the focus group discussions also mentioned that improper fence is a challenge, if crops are grazed by animals the hawkers business is affected because they must go to very far villages to purchase.



Picture 2: Here, Mabuza and Sons Agricultural Cooperatives member/employer and myself standing in a green beans garden intended to supply to Woolworth's. The fence behind is not durable such that cattle can jump over and eat the crops when the workers have left for their homes after the day's work.

Other villages have transport problems since workers have to walk a long distance before they get to the agricultural cooperatives. Furthermore the Nkomamonta customers indicated that irrigation is another challenge. For instance, at King Phillip agricultural cooperative, cash crops are sold on Mondays and Fridays because they have to give the crops time to re-grow before they pick again.

If the crops do not get enough watering, they do not shoot or shoot less after picking, this affects the quality and quantity of crops. When customers purchase crops that are not looking good, that also affects their business because their customers will not buy again. Whatever affects the cooperatives members also affects the customers. Lack of electricity results in boreholes becoming non-operational in some cooperatives. The pack-house presents itself as another challenge for Nkomamonta because they have to transport their produce to Delmas which is 500 kilometres a single trip from the Greater Tzaneen Municipality area and Tana Estate which is the same distance from where Nkomamonta is located. After picking, the pack-house is needed for sorting. There is a need for a cold-room to store the produce before delivery to the pack house in Delmas and Tana. They currently sort under the trees or the under shade structures which are made of a roof only and without side walls.



Picture 3: Nsolani Irrigation Scheme has no office space. The questionnaire was filled under the tree.

4.3.4 Environmental

When natural disasters such as hailstorms or fire break out in Tzaneen, the Nkomamonta does not get disaster relief from the government even though they report the matter. Elangheni primary cooperative had fires that destroyed their

offices, thatch houses and even the irrigation system and this case was reported to the Department of Agriculture

“The Department of Agriculture came and took photos and promised to come back but they never did. In 2010 October, we had a storm that destroyed the crops as trees were uprooted, we reported to the department but nothing was done. This resulted in us retrenching a lot of employees because we had no crops to sell and therefore money with which to pay them” (female farmer of 49 years Elangheni primary cooperative).

4.3.5 Political and or racial issues

A participant from the Kingdom Agricultural Cooperative indicated that he sells some of their crops to Spar and Mac Donald Fruit and Veg because he plants early. But immediately when the white farmers' crops are ready, too, Mac Donald Fruit and Veg do not purchase from him anymore. This is what he had to say,

“I once met a white men when I delivered veges to MacDonald Fruit and Veg. This man knew my green beans and asked me why I was not bringing them since he missed my type of beans. I told him that Mac Donald did not place an order. Then he wanted my farm address so that he could come directly to my farm to purchase when he fails to find my green beans in MacDonald.” (Male farmer, 60 years, Kingdom Agricultural Cooperative).

4.3.6 Knowledge

According to a male farmer (40 years), the King Phillip Agricultural Cooperative's lack of knowledge to manage cooperatives results in lack of or poor production because members and workers engage in arguments instead of working.

4.3.7 Quality and quantity of crops

The Nkomamonta Agricultural Cooperatives' crops are affected by insufficient organic compost because the material to make it is too expensive for these cooperatives to afford. According to one respondent, organic herbicide, to keep off insects from the organic crops, is also expensive and it affects the quality of crops. If more rain comes, the tomatoes become waterlogged as a result Woolworth's South Africa does not buy them. A male worker, (50 year) from King Phillip also

said that insufficient watering also affects the quality of crops because after picking you need to water so that the crops can continue to bear fruits.

SEDA identified that there is high demand for organic grown crops and Nkomamonta members are growing less crops to meet the demand.

4.3.8 Labour

According to this study, there is evidence suggesting that labour is not paid according to what the Department of Labour specifies. Employees work because they do not have employment. It is clear that when they get better job offers, they tend to leave the agricultural cooperatives. Insufficient labour is employed because the members said the more they employ, the more they are not able to afford to pay them as they already pay them less. Less labour results in less produce and personnel being overloaded with work. This affects the health of the workers and their enthusiasm to get to work in the morning.

4.3.9 Theft

Theft of crops and farm fencing at Deer Park Primary Cooperative hampers crop production because of the activities of thieves and animals as they enter and graze on the crops. According to the respondents, this forces the cooperative members to utilise resources doing the same thing again leading to little or no progress in their farming endeavours.

Theft of crops by those who do not want to plant on their own and are not prepared to purchase products in the open market poses a big challenge for the cooperative members.

4.3.10 Animals

Both wild and domestic animals including birds like guinea fowls are Ephangweni cooperative's major enemy. They only eat the crops from the cooperative's field and leave inorganic grown crops. Marauding hippopotamuses resulted in Majaha Ku Hava Agricultural Cooperative losing their contract with Pepperdew because they could not meet their obligation to Pepperdew to supply pepper as these animals destroyed the whole crop. According to the respondents, the menace of monkeys made the cooperatives to be in need of a net which they could not afford

to buy and this is made worse by stray domestic animals which jump over the fences and graze on the cooperatives crops.



Picture 4: Solani Irrigation Scheme fields in which guinea fowls feed . Next to the mango trees, the green strip along mango trees, are inorganically grown green beans which are unharmed by these birds.

4.3.11 Lack of information

The Majaha Ku Hava Primary Cooperative applied for 3-phase, instead of 2-phase electricity, which is now expensive to maintain due to lack of information from extension officers. ESKOM failed to explain to the cooperative when it applied.

4.3.12 Insufficient government support

Ever since they were announced as pilot project in the Greater Tzaneen Municipality, in 1999, according to some Nkomamonta cooperatives members, the Greater Tzaneen Municipality did not do anything for them, except SEDA. So a male farmer from King Phillip (40 years) asks:

“How will other agricultural cooperatives learn from us as pilot agricultural cooperative if we are struggling, too, to function?” Member/worker of King Phillip Agricultural Cooperative.

4.3.13 Lack of resources

According to some respondents, lack of water results in mango trees producing less fruit and this in turn leads to a diminished supply to the market. This is compounded by a lack of farm equipment and seeds which also means less produce and reduced hectarage under crop. Lack of organic compost, organic herbicides and pesticides were mentioned by an employee of King Phillip agricultural cooperative as their biggest concern which also results in bad quality of crops.



Picture 5: Compost heaps and dolomite lime to mix with compost for organic crops planting

Respondents also mentioned that the lack of electricity makes it impossible to pump water for irrigation. However, the study found out that some cooperatives use farrows to water their plants which is highly labour intensive and which the members cannot afford.

4.3.14 Lack of commitment

A respondent from the Kayarabo Agricultural Cooperative indicated that some members of the cooperatives are no longer coming to the fields. However, the same truant members still hope to get a share of benefits obtained from the co-operative. Gadzikwa *et al.* (2007) reported that such members are referred to as “free-riders”

and can have a significant impact on the collapse of a co-operative. Based on this, it can be said that people tend to view cooperatives as an easy way of accessing cash without necessarily having to work hard for it.

4.3.15 Family members in cooperatives

According to this study, most of these agricultural cooperatives are formed by families. For example, Deer Park Cooperative was formed by two parents and their children. The children are employed in Johannesburg and they only come home once in a month or two. They only come and hold their cooperative meeting, but the parents said the children have more business insight and hence assist them run the business. Effectively, only the mother and father are active members of the cooperative.

Nana Navo is another family cooperative in which the husband and wife are active members and the children have no interest in agriculture. One of the children is doing dressmaking even though she is considered an agricultural cooperative member. She does not get close to the agricultural work and that reflects where her interest is. FAO (1997) indicates that it is important that farmers engage in agricultural cooperatives with common motives and passion about farming.



Picture 6: Nana Navo Agricultural Primary Cooperative: only garlic is planted due to lack of funds to purchase seeds and the plot is fenced off with a net to keep animals away. The crops are only on 1 hectare, leaving out 67 hectares unutilised.

4.3.16 Lack of start up finance

The study found out that the shade-house for growing cucumbers and other vegetables at Mabuza and Sons Cooperative which was donated by SEDA is now empty due to lack of start up finance and other resources. This results in wastage of resources.



Picture 7: Mabuza and Sons shade-house

4.3.17 Lack of protective clothes

According to the Occupation Health and Safety Act, personnel should be provided with protective clothes. This is done to protect employees' health because health and safety are important if workers are to better their produce. As illustrated in Picture 7 below, workers at Dusselwop Primary Cooperative are shown on duty in August 2011 without protective clothing. Only the manager has safety boots and a work suit while he is working.



Picture 8: Workers at Dusselwop Primary Cooperative in the field without work suits.



Picture 9: Dusseldorf Farm: cabbages and green beans, young crops which are getting ready for Woolworths South Africa. A very thin and weak net is used to keep animals away.

4.4 Challenges faced concerning land allocation for agricultural cooperatives

Most of the land belongs to Tribal Authorities. The agricultural cooperatives only have permission to occupy which means that the cooperative members cannot use the land as collateral security for funding from a bank due to lack of ownership.

The Nwa Rex and Jerry Jeff cooperatives are inactive because their plots of land are among inorganic growing farms. They fear that the fertilisers used by neighbouring farms will leach to their organic plot. The Department of Agriculture is unable to assist them to get other plots because the land belongs to the Tribal Authority not to the Department and they need to be reallocated to higher slop or among organic growing farms.

4.4.1 Operational matters

This study found out that many of the cooperatives that participated in this study are owned by family members. This suggests that co-operators felt that this is a solid foundation for creating a harmonious collection of employees based on familial allegiance.

Doing so offers specific advantages, but also opens the possibility that the smooth operations of the business may be compromised (Bogod and Leach, 1999:5).

For example, the younger generation adds value to the farm as they have very good business sense. It was noted that male children from two cooperatives were hands-on, on this agricultural cooperatives and demonstrated love and interest in farming. According to the active family members, the younger generation family members are competent farmers.

However, the study observed that there was misunderstanding or jealousy between father and son, for example, at Nana Navo Primary Cooperative in which the father only planted one hectare of garlic and Kulani Primary Cooperative (the son) planted nothing due to lack of land at a time when his father, who is the member of Nana Navo, has 69 hectares of land with only one hectare under crop. There is a stream running through the yard. Here resources are wasted due to lack of understanding. The father claims that the land belongs to his father and he cannot give it away, his children should work for their land and he is more than 80 years of age. It was discovered that a Kulani Agricultural Cooperative member once won the "Farmer of the Year" award. But now is unable to grow crops because he lost the land due to preference. He preferred to be a Nkomamonta Cooperative member over being a member of Thabina Agricultural Cooperative on his plot was among and the piece of

land he got is not suitable for agriculture resulting in his potential currently being wasted.

The Nsolani Agricultural Irrigation Scheme is not yet registered; there is still a need for three more members in order to register. The founder is looking for family members who have an interest in farming. He is elderly and walking with a stick and his wife is not in good health. There is a high possibility of closing down if the younger generation do not intervene. The Deer Park Agricultural cooperatives is closed because two members who are also workers passed on, which makes Nkomamonta to have less members.

Even though the Chairperson indicated that when they receive something like money or seeds, they divide it among themselves, these cooperatives look as if they do not get the same amount of assistance.

The King Phillip cooperative indicated that they recommend that they should get the same assistance as cooperatives in Nkomamonta. This information directed the study to compare the agricultural cooperatives in Nkomamonta cooperative as follows:

Table 2: Donations / assistance to cooperatives

Name of cooperative	Operational	Challenges facing	Land available	Donation / assistance received
1. Danrose	Yes	Operating finance, sorting house	Yes	Environmental control poultry structure which takes up to 40000 chickens and they were assisted as individual famers not as cooperative members. 1 hectare irrigation system, seeds, tractor, have ten employees.

2. Majaha Ku Hava	Yes	Soil structure (sandy soil), electricity bill, personnel payment, wild animals, sorting house.	Yes	1 hectare irrigation system, seeds, tractor, bakkie, operate with two permanent employees.
3. Kingdom	Yes	Wild animals, sorting house	Yes	1 hectare irrigation and 1 hectar irrigation system, seeds, tractor, cattle, bakkie
4. King Phillip	Yes	Employees payment, fence, Theft, organic chemicals	Yes	1 hectare irrigation system, seeds, tractor, operate with two employees
5. Phangweni	Yes	Wild animals (guinea fowls), not registered, lack of interested members, elderly age.	Yes	1 hectare irrigation system, seeds, bakkie and have 6 personnel
6. Nwa Rex	Not	Currently have no land to grow crops.	No	1 hectare irrigation system, seeds and currently dormant
7. Jerry Jeff	Not	Currently have no land to grow crops.	No	1 hectare irrigation system, seeds and currently dormant.
8. Dusseldwop	Yes	Operation finance, sorting house	Yes	1 hectare irrigation system, seeds, tractor and have six employees.
9.Mabuza and	Yes	Domestic	Yes	1 hectare irrigation system,

Sons		animals due to lack of proper fence and start up finance to operate the shade-house as indicated in picture number 7 and 2		seeds. Shade-house structure, Irrigation pump as indicated in Picture number 7, tractor and have four personnel
10. Mabuza	Yes	No shade house,	Yes	1 hectare irrigation system, seeds
11. Nana Navo	Partially, only planted 1 hectar of garlic as indicated in picture number 6	Lack of farming inputs and implements, only two active members and workers, old age	Yes	1 hectare irrigation system, seeds, currently dormant because they planted just garlic which is not what their retail market wants. There were only two employees on site who pretended they were working when I got there.
12. Kulani	Not operational due to land challenge	5 hectares they have rocky and sandy soil.	No	1 hectare irrigation system, seeds and is dormant
13. Elangheni	Yes	Wild animals, damaged office, burned irrigation system which occurred during disaster, is not fixed.	Yes	1 hectare irrigation system, seeds, shade-house, tractor, bakkie and have four personnel, they were trained on Market Access and Organic Food Producers and Processors by Department of Agriculture.
14. Kayarabo	Yes	Operation	Yes	1 hectare irrigation system,

		finance, sorting house, other members are not active		seeds, shade house, tractor, bakkie and have 6 employees
15. Deer Park	Passed on. No information received.	Current owner is not interested in joining Nkomamonta cooperative		Dormant

Noteworthy is the fact that these cooperatives are operating with family members which is the husband, wife and children. Should misunderstanding happen and result in divorce or separation of parents, it is highly possible that the cooperatives might close down if they do not resolve and continue with the business irrespective of their marital differences.

It was further discovered from the Department of Agriculture that the above difference in assistance received by the cooperatives was influenced by the fact that individual farmers went to seek assistance and they were assisted as individual farmers (see Table 2 above) not as Nkomamonta Primary Cooperative (Zwane 2012).

5. Conclusion

Chapter 4 covers the main findings. It was found out that the cooperatives that constitute Nkomamonta Primary Agricultural cooperative are faced with a myriad of challenges. Some of the challenges include: a lack of protective clothing; insufficient government support, wild and stray animals as well as a proliferation of cooperatives which are operated by families. These were the common problems across cooperatives. Other cooperatives had unique problems such as issues of registration aging members, natural disasters, issues related to land allocations and so forth.

The cooperatives also received different levels of assistance because of their ability to make such requests for assistance from the various departments. The study

concludes that given these challenges and if assistance is not given by the government, the chances of these cooperatives surviving are minimal.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

According to the findings from this study, participants have knowledge of their challenges. At the root of the causes of the challenges facing Nkomamonta agricultural cooperative were listed as lack of transport, insufficient market infrastructure, environmental, political and racial, knowledge, land, quality of crops, labour, theft, animals, lack of information, insufficient government support, lack of resources, lack of commitment, family members cooperative, land challenge, lack of start up finance, registration and lack of protective clothing. These are elaborated below.

From the study it can be concluded that:

- Some cooperatives like the Ephangweni Agricultural Cooperative are not registered due to an unsuccessful search of members who are interested in the agricultural cooperative business. Uptake is not always impressive. The Nsolani Agricultural Irrigation Scheme is not yet registered; there is still a need for three more members in order to register.
- Transport is a problem for some cooperatives such as the Nwa Rex Agricultural Cooperative whose members mentioned that they hire bakkie from time to time to transport their produce from their farm to the pack house. For Nkomamonta, their truck is too small to carry all their produce. As a result a Nwa Rex respondent stated that they sometimes carry their produce on their heads and do door to door selling.
- Kingdom and Duisselwop Agricultural Cooperatives mentioned that they sometimes sell in the open market where competition is stiff. Bulk buyers like MacDonald, Spar and Woolworths have criteria which at times disadvantages them within a small market.
- Roads were mentioned in focus group discussions as a big challenge especially when it rains. Customers face difficulties to access the farms.
- Participants in the focus group discussions also mentioned that improper fence is a challenge, lest the crops are grazed by animals.

- Whatever affects the cooperatives members also affects the customers such as lack of electricity which results in boreholes not working which in turn affects some cooperatives. The pack-house presents itself as another challenge for Nkomamonta because they have to transport their produce to Delmas which is 500 kilometres a single trip. A pack house is needed for sorting and a cold-room to store their produce before delivery to the pack-house. Currently sorting is done under the trees or under a shade. Lack of electricity makes it impossible to pump water for irrigation. However, the study found out that some cooperatives use farrows to water their plants which is highly labour intensive and which the members cannot afford.
- The cooperatives do not have insurance against natural disasters such as hailstorms or fire.
- Lack of knowledge to manage cooperatives results in lack of or poor production as members and workers engage in arguments instead of working.
- Inputs such as organic compost and herbicides are too expensive for these cooperatives to afford, which also affects the quality of the crops.
- According to this study, there is evidence suggesting that labour is not paid according to what the Department of Labour specifies. Employees work because they do not have employment. When they get better job offers, they tend to leave the agricultural cooperatives. Inadequate labour is employed as members said the more they employ, the more they are not able to afford to pay. Less labour results in less production and in turn results in the few personnel being overloaded with work. This affects the health of the workers and their enthusiasm to get to work in the morning.
- Crop theft was mentioned as a menace. Furthermore, both wild and domestic animals including birds like guinea fowls are the Ephangweni cooperative's major enemy. Marauding hippopotamuses resulted in the Majaha Ku Hava agricultural cooperative losing their contract with Pepperdew because they could not meet their obligation to Pepperdew to supply pepper as these animals destroyed the whole crop. Monkeys also 'harvest' their crops.

- Lack of water resources results in mango trees producing less fruit and this in turn leads to a diminished supply to the market. This is compounded by a lack of farm equipment which means reduced hectareage under crop.
- A respondent from the Kayarabo Agricultural Cooperative indicated that some members of the cooperatives are no longer coming to the fields and were becoming free-riders which have a significant impact on the cooperative such as possible collapse.
- Lack of finance was also a major stumbling block. For instance, the greenhouse for growing cucumbers and other vegetables at Mabuza and Sons Cooperative, which was donated by SEDA, is now empty due to lack of start-up finance and other resources resulting in wastage of resources.
- According to the Occupation Health and Safety Act, personnel should be provided with protective clothes. This is not the case in some cooperatives such as the Dusselwop Primary Cooperative.

This study found out that many of the cooperatives that participated in this study are owned by family members. This suggests that co-operators felt that this is a solid foundation for creating a harmonious collection of employees based on familial allegiance. Doing so offers specific advantages, but also opens the possibility that the smooth operations of the business may be compromised (Leach and Bogod, 1999:5).

For example, the younger generation adds value to the farm as they have very good business skills. It was noted that male children from two cooperatives were hands-on, on this agricultural cooperatives and demonstrated love and interest in farming. According to the active family members, the younger generation family members are competent farmers. Noteworthy is the fact that these cooperatives are operating with family members which is the husband, wife and children. Should misunderstanding happen and result in divorce or separation of parents, it is possible that the cooperatives might close down if they do not agree to continue running the business.

It is recommended that ageing farm owners should be encouraged to earnestly think what they would do once they have stepped down. The current owners must seek the ability to find meaning in life after giving up the challenge, influence, status, identity, control and daily structure associated with running a business. That the Greater Tzaneen Municipality should assist Kulani Agricultural Cooperative to get suitable land for agriculture, taking into consideration their past award which is “The Farmer of the Year” and the Nkomamonta chairperson also indicated that this Kulani agricultural cooperative is run by a very good farmer. The agricultural cooperative land owners should consider utilising their land to the maximum as they seek advice from experienced farmers. It is further recommended that overall, there must be:

- Strict monitoring of resources provided to farmers for effective use in their cooperatives;
- A revised land allocation system;
- Provision of relevant technology for value added activities
- Processing and packaging; and
- Provision of improved infrastructure services such as roads.

This study also recommends improved extension services to:

- Identify gaps / needs in cooperatives so that they are timeously addressed;
- Disseminate production and financing information to farmers;
- Build networks between farmers, other cooperatives, researchers and NGOs through extension services; and
- Initiate collaboration of extension officers with local municipalities.

5.1 Recommendations to be considered by farmers for farmers:

- Consideration of renting communal under-utilised cropland;
- Viewing usage of individual resources as an investment in the cooperative;
- Consideration of value adding activities;
- Improvement of marketing development programme;
- Production of market focused products by all members; and
- Cost-effective distribution mechanisms;

5.2 Recommendations from Nkomamonta cooperative members and workers

- That the government must assist with farm equipment.
- That the government plays its role fully when it comes to development of cooperatives by funding them. To that end, funding must be channelled to needy cooperatives based on their acute requirements for proper functioning.

- That start-up finance be given by the Department of Agriculture, for example to Mabunda and Sons. They used the start up finance to construct a greenhouse but now due to lack of additional financial support, the structure has become a superfluous.
- That frequent visits by extension officers and municipality officials be done so they are constantly informed about what the cooperatives are going through so that they can be appropriately assisted.
- That a needs analysis for each agricultural cooperative be done by the government so to enable them to know what kind of assistance each farm in Nkomamonta cooperative needs than to generalise needs.
- That continuous monitoring of projects be done after implementation so that challenges can be identified quickly and be addressed before the cooperative becomes inactive.
- That the government should pay employees on a “proof of work done basis” and confirmed by the agricultural cooperatives, because there are extension officers who are supposed to visit agricultural cooperatives now and again but cooperatives members do not see them visiting. Cooperatives believe that, these officials get paid even if they do not do what they are supposed to do.
- That support given to a cooperative must benefit all members, not individual cooperatives in Nkomamonta.

5.3 Recommendations from the Greater Tzaneen Municipality, Local Economic Division

- That the Nkomamonta Agricultural Cooperative joins South African National Apex Cooperative as coordinating body.
- That further training of cooperatives be done.
- That a Cooperative Agency is established by Department of Trade and Industry. It is further recommended that financial assistance be given to the agricultural cooperative.

5.4 Recommendations by workers

- That security be hired to watch over cooperatives property and keep away wild animals at night. That organic chemical be provided to keep away wild animals.
- That salary be increased by their employers so they will be able to afford the cost of living and that protective clothes be supplied, because they currently work with their own clothes.

5.5 Recommendations by the Department of Agriculture

- That Nkomamonta cooperative members be passionate about organic farming and not be easily tempted to do inorganic farming purely because of free offers of inputs provided to inorganic farmers.
- That they take advantage of the resources they have and capitalise on them, for example, Elangheni has lot of fruit trees and little space for cash crops.
- That they must have a succession plan in place as some members are elderly already.

5.6 Implications for further research

This study heard from the respondents a number of success stories when it comes to seeking assistance / donations which some cooperatives in the Nkomamonta individually applied for and received to advance development. Even though they are a cooperative they operate individually and consequently obtained different results. Further research could explore the alternatives to individual production and the incentives associated with them. Chances of success in individual production and elements constituting such success need to be investigated. Such an investigation could provide information that allows comparison between collective action with individual action focusing on production and marketing.

Conclusion

The Nkomamonta agricultural cooperatives have spoken about their challenges and have been heard and it is safe to aptly conclude with the hopeful words by Achebe et al. (1990:9) that 'the domain of the future is without boundaries'.

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ANNEXURES

ANNEXURE A: Consent Form

Topic: Challenges facing LED agricultural cooperative in the Greater Tzaneen Municipality

Sir / Madam

.....

Request for your participation in a research Project:

Annexure B: RESEARCH PROJECT QUESTIONNAIRE

Topic: Challenges facing LED agricultural cooperative in the Greater Tzaneen Municipality

1. Gender

Female	
Male	

2. Age : Mark with a cross in the appropriate box

20-35 years	
36-45 years	
46-60 years	

3. What is your position in the cooperative?

Member	
Employee	
Greater Tzaneen employee	
SEDA	
LIBSA	

For each of the following statement regarding Nkomamonta agricultural cooperative, indicate by making a cross in the appropriate block, what applies to you

Statement	Y e s	N o
4. Is there a need for agricultural cooperatives operation in GTM?		
5. Are the cooperatives serving the purpose they suppose in your life?		
6. Are the cooperatives getting the support they expect? Specify.....		

7. Is it affordable to register as inorganic cooperative? How much? _____		
8. Are there any challenges facing cooperative? Which are they?.....		
9. Are there any solutions to given to challenges? Which are they.....		
10. Are farms in Nkomamonta Primary cooperative facing challenges with registration? Which are they?.....		

11. How long does it take to register a cooperative?
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12. How often do you register as organic cooperative?

13. What are the roles and responsibilities of LED Division in the operation of Nkomamonta?
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14. What are the roles and responsibilities of LIBSA in the operation of Nkomamonta?
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15. What are the roles and responsibilities of SEDA in the operation of Nkomamonta?
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16. What are challenges facing cooperatives?

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17. What are benefits of being a Pilot organic agricultural cooperative in Mopani?

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18. How does the land allocation system operate for agricultural cooperatives?

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19. What type of assistance is given to cooperative in terms of funds?

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20. What type of assistance is given to cooperative in terms of skills?

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21. What type of assistance is given to cooperative in terms of technical support?

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22. What type of assistance is given to cooperative in terms of information?

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23.What type of assistance is given after disaster by government?

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24. What is done to address the challenges faced by Nkomamonta cooperative by government?

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25. Is there any training offered to empower cooperative?

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26. Which recommendations can be made to address the challenges faced by cooperatives in order to improve their performance?

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Thank you for completing this questionnaire.