

**An Assessment of the Impact of Agricultural Co-operatives on
Poverty Alleviation in Polokwane Municipality in Limpopo
Province**

by

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DECLARATION

I declare that the mini-dissertation hereby submitted to the University of Limpopo, for the degree of Master of Development has not previously been submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.

Maake, NT (Ms)

Date

Dedication

This mini-dissertation is dedicated to my beloved daughter, Mororisheng Maake, my dearest mother Maite Maake and my late father, Bernard Maake.

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I would like to express my sincere gratitude to God the Almighty for giving me strength and the ability to conduct and finish the study.

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Abstract

Co-operatives have been viewed as a way of providing employment and dealing with poverty. It is believed that co-operatives could help in stimulating economic activities in an area if they were successful. Most people joined or formed co-operatives with the hope of receiving an income and improving their well being. However, in most cases members did not possess skills which were needed to run co-operatives. Members of co-operatives encountered challenges as they engaged in their day to day duties in an attempt to improve their economic status and wellbeing. Research which has been conducted in South Africa suggested that most co-operatives were experiencing challenges which hampered their progress.

The main purpose of this study was to assess the impact of agricultural co-operatives on poverty alleviation, especially those that dealt with vegetable crops. Two co-operatives which dealt with vegetable crops were purposively selected and studied. The co-operatives were identified as functional and non-functional co-operative. Questionnaires which were used as interview schedules were used to obtain data from the functional co-operative. Data were collected from the focus group discussions with members of the non – functional co-operative. Government officials were requested to complete questionnaires. SPSS package was used to analyse quantitative data from the functional co-operative.

Results from the study showed that the co-operatives which were studied were experiencing a number of constraints which affected their progress. Those constraints included low literacy level, lack of equipment, poor infrastructure, lack of knowledge of how co-operatives worked, as well as lack of finances. However, the study revealed that involvement in agricultural co-operatives could contribute to the improvement of members' wellbeing if there was income generated from the activities of the co-operative. The findings also indicated that support from government and other organisations were vital for the success of agricultural co-operatives. The results also

revealed that lack of adequate technical support had a negative effect on the success of co-operatives.

The study recommends that there should be a well coordinated multidisciplinary approach which is comprised of different government departments. Those departments should help with strengthening and capacitating the co-operatives to ensure that they were sustainable. Respondents should work collectively and engage in activities that will benefit the co-operative. These co-operatives should be trained on issues such as management of the co-operatives and principles of co-operatives. The co-operatives should seek information about funders and recruit young people.

LIST OF ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
DGRV	Deutscher Genossenschafts - und Raiffeisenverband e. V
DTI	Department of Trade and Industry
GDP	Gross Domestic Product
GNI	Gross National Income
HIV	Human Immunodeficiency Virus
IDC	Industrial Development Corporation
LED	Local Economic Development
LIBSA	Limpopo Business Support Agency
MDGs	Millennium Development Goals
NDA	National Development Agency
SARB	South African Reserve Bank
SEDA	Small Enterprise Development Agency
STATSSA	Statistics South Africa
TB	Tuberculosis

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CHAPTER 1: INTRODUCTION

1.1 Background

In South Africa, agricultural co-operatives started in the 1800s, when Afrikaner farmers organised themselves into co-operatives which marketed their produce and procured inputs like seeds, fertilizer and livestock (Small Enterprise Development Agency (SEDA), 2009). Black farmers co-operatives started to be promoted in 1970s when government wanted to promote homelands (SEDA, 2009). The co-operatives formed by black people were aimed at helping them to address their basic needs. However these co-operatives were not supported in the same way as white co-operatives (SEDA, 2009). The subsidies and state protection offered to white owned co-operatives were gradually withdrawn over the years, as a result, many white agricultural co-operatives converted into private companies (SEDA, 2009).

Many people, mostly, in rural areas find themselves in situations of absolute poverty, where they are unable to meet their basic needs. These situations are characterised by lack of employment, income, skills, and by substantial retrenchments. South Africa's apartheid past imparted a strong and stubborn racial character to the country's poverty level and to distribution of income and wealth (South African Non Governmental Organisations Network, 2010). In 2005/06 more than a decade after democratization, the incidence of poverty among black and coloured individuals remained dramatically higher than among whites. Bibby and Shaw (2005) pointed out that rural poverty remained a major global challenge, while rural areas were still characterized by the poorest of the poor with scarce basic services.

Poverty in South Africa is exacerbated by the level of unemployment which remains high despite the attempts by government to reduce it through programmes such as the Expanded Public Works Programme. Roux (2008) points out that unemployment is often described as one of the major socio-economic problems in South Africa, and that high levels of unemployment are regrettable because unemployed people are not able to make a contribution to the production of goods and services in the economy. According to Statistics South Africa (STATSSA) (2010a), the results of the first quarter of 2010 show that between the fourth quarter of 2009 and the first

quarter of 2010, the number of unemployed persons in South Africa increased by 145 000 to approximately 4.3 million resulting in an increase in the unemployment rate 0.9 of a percentage point to 25.2 percent. The unemployment rate went up for all population groups except the Indian population. The rate of unemployment in South Africa by the third quarter of 2010 was standing at 25.3 percent (STATSSA, 2010a). In the Quarterly Employment Survey of the third quarter in 2010, STATSSA (2010a) indicates that there was an increase in the unemployment rate in Limpopo, Free State and Western Cape (up by 2.7 percentage points, 1.7 percentage points and 1.3 percentage points, respectively) between the two quarters.

Another characteristic of the South African economy is that a large number of people who live in rural and peri-urban areas are part of the informal economy or are otherwise socially, economically and politically excluded from the benefits of development (The South African LED Network, 2010).

Most people who find themselves in situations of absolute poverty in South Africa are motivated to form or join co-operatives with the hope of improving their quality of life. Van der Walt (2010) indicates that the poor conditions, especially of rural people, can be alleviated by stimulating economic activities. According to van der Walt (2010), efforts should be made to stimulate economic activities by involving members or local entrepreneurs and at the same time to keep the generated wealth in the community. The South African government has been supporting co-operatives after the first democratic elections in 1994 especially among historically disadvantaged South Africans, as a strategy to alleviate poverty and create jobs (SEDA, 2009). The government passed a new Co-operatives Act in 2005, which would provide for the formation and registration of co-operatives, and facilitate the provision of targeted support for emerging ones, in particularly those owned by women and black people. More people are encouraged to start co-operatives and it is believed that if co-operatives are set up in the right way, they can help in providing jobs and fighting poverty (SEDA, 2009).

1.1.1 The South African Economy

Roux (2008) indicates that the South African economy makes up just less than 1.00 percent of the world economy, however, the country is an economic giant in Africa.

South Africa accounts for almost 40 percent of gross national income (GNI) in sub – Saharan Africa.

The South African Reserve Bank (SARB) indicates in its annual report 2009/10 that the South African economy suffered its first recession since 1998, when real gross domestic product (GDP) contracted for three consecutive quarters between the final quarter of 2008 and the second quarter of 2009. This resulted in the annual real GDP contracting by 1.8 percent in 2009, compared with growth of 3.7 percent in 2008. Although the quarterly real GDP had subsequently increased at positive annualised rates, subdued demand was expected to persist for some time and there had been a concern that adverse employment trends and employment insecurity would constrain household expenditure (South African Reserve Bank (SARB), 2010a).

It is indicated in the South African Reserve Bank Quarterly Economic Review (SARB, 2010b) that in South Africa there was an increase in economic activity in the second quarter of 2010 although the expansion decelerated somewhat compared with the first quarter. Real gross domestic product increased at an annualised rate of 3.2 percent in the second quarter of 2010 following an increase of 4.6 percent in the first quarter (SARB, 2010b). The moderation in economic growth in the second quarter of 2010 could mainly be attributed to a noticeable decline in production volumes in the primary sector and a lower rate of increase in output growth of the secondary sector (SARB, 2010b). SARB (2010b) reported that by contrast, growth in the tertiary sector accelerated over the period.

Regarding the status of sectors of the economy in South Africa, the real value added by the **primary sector** contracted at a rate of 12.5 percent in the second quarter. The real value added by the **agricultural sector**, which contracted by 3.2 percent in 2009, increased at annualised rates of 3.0 percent and 11.6 percent in the first and second quarters of 2010 respectively (SARB, 2010b). The firm increase in the second quarter could mainly be attributed to higher field crop and horticultural production alongside an increase in the output of livestock farming (SARB, 2010b). The commercial maize crop for the 2009/10 season was estimated at 13.1 million tons compared to about 12.0 million tons in the preceding year (SARB, 2010b).

The **mining sector**, as reported by SARB (2010b), increased at an annualised rate of 15.4 percent in the first quarter of 2010, and the real value added by this sector contracted at a rate of 20.8 percent in the second quarter. The notable decline in total mining production resulted primarily from lower production in the platinum and coal-mining sectors (SARB, 2010b). However, the real value added by the gold-mining subsector increased marginally from the first to the second quarter of 2010 (SARB, 2010b). The lower production of platinum and coal, related to largely temporary factors, mainly contributed to a significant contraction in the real value added by the mining sector (SARB, 2010b).

Growth in real value added by the secondary sector decreased to 5.3 percent in the second quarter of 2010, after increasing at an annualised rate of 7.0 percent in the first quarter of 2010. In the manufacturing sector growth in the real value added decreased from a robust annualised rate of 8.4 percent in the first quarter of 2010 to a still high 6.9 percent in the second quarter of 2010 (SARB, 2010b). Although higher manufacturing production levels were reported by eight of the sub-sectors, declines were recorded in the basic iron and steel, furniture and other manufacturing sub-sectors, partly related to reduced exports (SARB, 2010b). The real value added by the sector that supplies electricity, gas and water reversed from an annualised growth rate of 4.9 percent in the first quarter of 2010 to a rate of contraction of 0.2 percent in the second quarter. This decline reflected a lower rate of increase in industrial demand for electricity and lower exports to neighbouring countries (SARB, 2010b).

Growth in real value added by the construction sector moderated in the second quarter of 2010 as building activity remained in a firm downward spiral. Growth in the real value added by the construction sector decelerated to an annualised rate of 1.5 percent in the second quarter of 2010 compared with an increase of 2.1 percent in the first (SARB, 2010b). Growth in the real value added by the construction sector decelerated to an annualised rate of 1.5 percent in the second quarter of 2010 compared with an increase of 2.1 percent in the first (SARB, 2010b).

1.1.2 Limpopo economy

The poor performance in the South African economy in 2009 was evident in all provincial economies with all provinces recording negative growth rates (STATSSA, 2010). It is indicated in the STATSSA Statistical release P0441 (2010), that in terms of real growth, Limpopo recorded -1.8 percent in 2009. Regarding contribution to South African economy in 2009, Limpopo recorded 7.0 percent, which is positive growth in terms of relative size (STATSSA, 2010b).

According to the Limpopo Provincial Government (LEGDP) 2009 – 2014, the province has excellent agricultural potential, mineral reserves, and tourism resources. In 2009 agriculture, forestry and fishing contributed 7.8 percent; mining and quarrying contributed 22.8 percent; manufacturing contributed 1.7 percent; while construction contributed 4.6 percent to the provincial GDP (STATSSA, 2010b).

1.1.3 Challenges faced in economic development in South Africa and Limpopo

The long-standing issue of unemployment is one of the biggest challenges to economic growth in South Africa, along with poverty, large wealth disparities and a high incidence of HIV & AIDS (Brand South Africa, 2010). However, South Africa has been supported for the approach to these problems, with policies aimed at raising economic growth in a stable economic environment and initiatives to reduce unemployment and improve social conditions (Brand South Africa, 2010). Economic integration of South Africa's previously disadvantaged majority is a key to overcoming the challenges identified (Brand South Africa, 2010). South Africa's economy has a marked duality, with a sophisticated financial and industrial economy having grown alongside an underdeveloped informal economy (Brand South Africa, 2010).

According to the Limpopo Provincial Government (LEGDP, 2009 - 2014) the province's economic performance, especially in terms of job creation, the quality of jobs, and reduction of poverty and inequality, has fallen far short of government's expectations and aspiration. The provincial efforts have not sufficiently addressed

severe structural imbalances and constraints that impede the economy from developing to its full potential and ensuring job creation (LEGDP, 2009 - 2014).

Between 1995 and 2002 in Limpopo, the number of people without jobs escalated. A key point to note regarding the job market is that while many unskilled people are unemployed, there is a shortage of suitably skilled workers, which is a serious constraint on the expansion of the economy (LEGDP, 2009 – 2014).

The Limpopo Employment Growth and Development Plan 2009-2014 highlights that the health system continues to experience specific challenges like the large burden of disease, especially from HIV and TB not being adequately prevented; slower than expected progress with Millennium Development Goals, especially in child and maternal mortality; and weakness in governance and accountability procedures (LEGDP, 2009 - 2014).

According to the Limpopo Provincial Government, most of the economic regions are struggling to overcome abject poverty but also lack productive capacities to move out of the poverty trap of high unemployment and low levels of income, gross fixed capital formation, and growth. The fundamental challenge is to enable the rural regions to tap into the power of the new economy or be pushed onto a new economic frontier. The role of trade and investment in sustainable development and marginalization of rural and women's entrepreneurship, and enterprise development are some of the challenges (LEGDP, 2009 - 2014).

It is evident from the above that unemployment in Limpopo province is also high. Since there is a problem of job creation, it would be beneficial for unemployed people to engage in activities which will help them deal with poverty, activities like forming or joining co-operatives in their areas. Government has identified the support of small, medium and macro enterprises as ways which can help in poverty alleviation and job-creation (South African Government, 2010). As a way of fostering economic growth in the country, the South African government aims to boost and develop small enterprises, equalise income and wealth and create long-term jobs (South African Government, 2010). The development of small enterprises is seen as an engine for economic growth, job creation and equity acceleration.

1.2 Statement of the research problem

Some of agricultural co-operatives are not growing and spreading as they should. Some of the problems that were listed by Gray and Kraenzle (2002) include competition from large national dealers in the retail business, fewer customers and price competition, survival and profitability, cash flow, financing, transportation, and weather conditions like drought.

In rural areas some of the problems that are faced by agricultural co-operatives are discontinuation of membership by members, lack of income, lack of water, and lack of support from government or donors. Most people join or form co-operatives with the hope of receiving an income, and if the co-operative takes long to generate income, they lose interest. According to Phillip (2003), most co-operatives are started by unemployed people, often with low skill levels and no prior business experience, in economically marginal areas. It is under these circumstances that they have the least chance of success. Many co-operatives target their local markets and in rural areas such markets are poor and highly dispersed (Phillip, 2003). A major reason for the failure of co-operatives is lack of participation of members (Harms, 2007). The findings of the baseline study conducted by DTI (2009) highlight a problem of co-operatives not being able to access the finance they need to support them and to grow their businesses.

According to van der Walt (2005), some of the problems that are experienced by co-operatives in Limpopo Province are that members do not have the necessary knowledge with regard to the co-operatives principles and expectations; poor management; lack of training; conflict among members; and lack of funds. The above problems will have an impact on the running and success of the co-operatives in one way or the other. The study was conducted in order to assess the extent to which involvement in agricultural co-operatives contributes to the improvement of the quality of lives of members, and to assess whether agricultural co-operatives can help in creating sustainable livelihoods and generate income given the circumstances and problems mentioned above.

1.3 Aim of the study

The aim of the study is to assess whether involvement in poverty alleviation projects based on co-operatives has contributed to the improvement of the economic well-being of respondents in Polokwane municipality, especially those dealing with vegetable gardening.

1.4 Objectives of the study

- 1.4.1 To assess the extent to which involvement in agricultural co-operatives contributes to the improvement in members' quality of lives.
- 1.4.2 To highlight the role of agricultural co-operatives in the alleviation of poverty in rural areas.
- 1.4.3 To assess the extent to which members of agricultural co-operatives have acquired skills that can assist in poverty alleviation.
- 1.4.4 To investigate the factors that lead to the success or failure of agricultural co-operatives.
- 1.4.5 Explore measures that could be taken to ensure growth of agricultural co-operatives.

1.5 Research questions

- 1.5.1 To what extent can involvement in agricultural co-operatives contribute to the improvement of members' quality of lives?
- 1.5.2 What is the role of agricultural co-operatives in poverty alleviation?
- 1.5.3 To what extent have members of agricultural co-operatives acquired skills that can assist in poverty alleviation?
- 1.5.4 What are the factors that lead to success or failure of agricultural co-operatives co-operatives?
- 1.5.5 What measures can be taken to ensure growth of agricultural co-operatives?

1.6 Definition of concepts

Co-operative

‘A co-operative is an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratic enterprise organised and operated on co-operatives principles’ (Co-operatives Act, 2005, p 10).

Agricultural co-operative

‘An agricultural co-operative is a co-operative that produces, processes or markets agricultural products and or supplies agricultural inputs and services to its members’ (Co-operatives Act, 2005, p 10)

Impact assessment

Impact assessment involves the identification and assessment of problems at stake and of objectives and outcomes. It identifies the main options for achieving the objective and analyses their likely impacts in the economic, environmental and social fields (Wikipedia – encyclopaedia, 2009)

Poverty

The concept of poverty can be defined as referring to several different forms of deprivation, such as a lack of resources, including the lack of income, housing and health facilities, as well as a lack of knowledge and education (Oldewage-Theron & Slabbert, 2010).

Functional co-operative

In this study, a functional co-operative refers to a co-operative which was producing, selling produce and generating income for members.

Non-functional co-operative

A non-functional co-operative, in this study, refers to a co-operative which was experiencing challenges; which was no longer producing, marketing, doing business or generating income for its members.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on literature review which is related to co-operatives in South Africa and in other countries. It also focuses on the importance of co-operatives, what co-operatives are able to achieve, as well as successes and challenges as indicated by researchers who conducted research at various places.

2.2 Location of most co-operatives in South Africa

Co-operatives are an integral component of Local Economic Development (LED) as they are aimed at poverty alleviation and job creation. The baseline study conducted by the Department of Trade and Industry (DTI) in South Africa indicates that most co-operatives are located in KwaZulu-Natal, Limpopo, Gauteng and Eastern Cape. It was further indicated that three of these provinces have a high percentage of their populations living in poverty that is Limpopo (77 percent), Eastern Cape (72 percent) and KwaZulu-Natal (61 percent) compared to a national average of 57 percent. The study found that 50 percent of co-operatives were located in rural areas and they operated from villages, townships and farms (DTI, 2009).

2.3 The importance of co-operatives

The post-apartheid South African government identified co-operatives as significant means to empower the rural poor with respect to the development of income-generating activities, human resource capacity, and increased savings and investment (Knight, 2006 cited in Nganwa, Lyne and Ferrer; 2010). Kanyane (2009) points out that local communities, trade unions, municipalities and provincial governments are best placed to utilize and capacitate co-operatives as part of an innovative approach to sustainable local economic development. In South Africa special measures to support co-operatives as part of strategies for job creation were endorsed by the Presidential Growth and Development Summit held in July 2003.

Kanyane (2009) is of the view that co-operatives can be instrumental to give the poor, women, youth and other marginalized members of the community a purpose and pride as a result of their financial independence and contribution to the economy of the country. As a result, co-operative successes can relieve the government budgetary and fiscal pressures regarding human development. According to van der Walt (2010), communities must become self-sufficient and initiatives for achieving this should stem from the community itself.

Co-operatives contribute to the development of the nation or communities through the improvement of the socio-economic situation of their members (Co-operatives policy, DTI, 2004). Whereas the development potential of co-operatives is in principle not different from the one of other types of enterprises, the nature of co-operatives (members are at the same time owners and users of their co-operatives) makes them more appropriate for specific population groups, geographical areas, sectors or situations. Hence, co-operatives possess an inherent special potential for socio-economic development (DTI, 2004).

Co-operatives play an increasingly significant role in helping poor people to find solutions on how to co-operate out of poverty by tapping their own resources, knowledge and strengths (The South African LED Network, 2010). Bibby and Shaw (2005) indicate that experts agree that poor people themselves must be centrally involved in the global campaign against poverty. They further state that time and again poor people have used co-operatives to provide goods and services which the state or private enterprise cannot provide. Co-operatives are unique, being both enterprises and part of civil society. According to Bibby and Shaw (2005) strengthening the capacity of local co-operatives can have an immediate and direct impact on rural poverty.

Co-operatives offer more to their communities than employment opportunities by providing market access and essential services to the residents. And they also help to develop local leadership that can start and lead other social and business ventures (Zeuli, Lawless, Deller, Cropp, and Hughes, 2003). Co-operatives, as economic enterprises and as self-help organizations, play a meaningful role in uplifting the socio-economic conditions of their members and their local communities.

Over the years, co-operative enterprises have successfully operated locally owned people-centred businesses while also serving as catalysts for social organization and cohesion. With their concern for their members and communities, they represent a model of economic enterprise that places high regard for democratic and human values and respect for the environment. As the world today faces unstable financial systems, increased insecurity of food supply, growing inequality worldwide, rapid climate change and increased environmental degradation, it is increasingly compelling to consider the model of economic enterprise that co-operatives offer. The co-operative sector, especially in developing countries, also presents itself as an important element that can contribute to the realization of the Millennium Development Goals (MDGs) by 2015 (United Nations, 2010).

Bibby and Shaw (2005) are of the opinion that co-operatives play a significant role in agriculture around the world, in developed as well as in developing countries. They state that over 50 percent of global agricultural output is marketed through co-operatives. According to Bibby and Shaw (2005), in developing countries, particularly in Asia, South and Central America, agricultural marketing and supply co-operatives perform a dual role, providing farmers with the agricultural supplies they need and also offering a mechanism for the sale of their crops (Bibby and Shaw, 2005). Many co-operatives of this kind offer additional services to members, including such things as credit facilities, insurance and transportation. They are often the only providers of off-farm waged employment in rural areas (Bibby and Shaw, 2005).

Co-operatives contribute to the development of the local economies where the poor live through their unique and strong linkages with the community as they enable poor people to have their voices heard in addition to improving their daily working and living conditions (The South African LED Network, 2010). This is due to the fact that co-operatives are democratic organisations and owned by those who use their services. Co-operatives are an ideal instrument to empower the poor. They are participatory, responsive to local needs and able to mobilize communities and help particularly vulnerable groups of people (The South African LED Network, 2010). Birchall (2004) is of the view that co-operatives can help raise people out of poverty because they are essentially income-generating organizations and because they return any surpluses to the members in the form of a patronage refund based

on the use people have made of the co-operative, they make sure that growth is equitable.

Chambo (2009) points out that the existence of co-operatives also has had an impact in the generality of rural development defined in terms of availability and access to amenities that improve the basic conditions of life for the rural people. These include employment creation, rural markets development, and enhancement of rural incomes and the improvement of access to social services (Chambo, 2009). Chambo (2009) further indicates that, in order to enter the economy of food production and marketing, agricultural co-operatives need a new design of entrepreneurship driven co-operatives such as the Second Generation Co-operative mode. This mode of organization, will be a product of design work, but departs from the traditional co-operative to a member investor mode where the later, has strong motivation factors for membership and the ability to employ highly qualified management (Chambo, 2009).

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. Royce (2004) further indicates that a range of managerial experts and economists maintain that participation in decision-making can elicit greater efficiency and effort from workers.

Wanyama, Develtere, and Pollet (2008), indicate that co-operatives make available to the individual and household financial resources that are utilized to participate in activities through which a living is earned, by creating employment opportunities, generating income and facilitating financial flow for the members and non-members. Wanyama et al. (2008) point out that members of co-operative societies use the income that these societies make to educate their children, with a view to reducing poverty in future following children's employment. Secondly, co-operatives are also serving as educational centres for members because many are the members that shade off some degree of ignorance on economic opportunities in their milieu through co-operative educational programmes (Wanyama et al., 2008).

Van der Walt (2010) is of the view that forming co-operatives does not only strengthen the position of small businesses to compete with big business, but also contributes to community development. Earnings produced by co-operatives are returned to the member and the end result is that this wealth is kept within the community. The co-operative will only be successful if it promotes the wealth of its members and provide competitive products and services. This will only be possible if the co-operative can survive, innovate and adjust to changes in the economy. The aforementioned can be achieved if there is an effective combination of the entrepreneurial skills and the co-operative type of business with the advantages it can offer. The entrepreneur and the performance of the co-operative are therefore closely linked (van der Walt, 2010).

2.4 Agricultural co-operatives

According to Birchall (2004), the most successful type of co-operative, measured by market share, is the agricultural co-operative. It is indicated by Birchall (2004) that ever since the industrial revolution turned agricultural co-operatives into producers of food for distant markets rather than just for local consumption, farmers have needed to take control over three processes: farm inputs (such as fertilizer, seeds and livestock); marketing of the produce; and food processing to add value to the product. They have also needed a supply of credit, to smooth out the seasonal variability in farm incomes (Birchall, 2004).

Birchall and Simmons (2009) are of the opinion that agricultural and fishing co-operatives are also able to support their members by providing the right kind of knowledge and training. According to Birchall and Simmons (2009) these co-operatives provide up-to-date technical information, and supply much needed inputs to their members' businesses at low prices or on credit: seeds, equipment, chemicals, fertilizers, but also livestock and agricultural equipment, fishery nets and other equipment. The co-operative is able to offer a higher price to their members for their produce than they would be able to get from private traders (Birchall & Simmons, 2009).

Chambo (2009) also states that agricultural co-operatives create the ability for the supply of required agricultural inputs so that production of commodities is done timely to enhance productivity. They also provide an assured market for commodities produced by isolated small farmers in the rural areas. With collective action, agricultural co-operatives can capture the benefits of added value, because of bulking and they can take advantage of introducing grades and standards allowing agro-processing value addition for the members (Chambo, 2009).

Polman (2006) is of the view that agricultural co-operatives are rural enterprises of a special kind where profit making and shareholder ownership do not dominate membership participation in business activities. Co-operative members share high risk in agricultural activities due to adverse climatic and market conditions; they also share costs of inputs/raw materials, and engage in collective marketing efforts and in seeking improved access to rural services (Polman, 2006).

According to Prakash (2009), internal factors that enhance the impact of agricultural co-operatives include viable, strong vertical structural support, trained professional and motivated staff, enlightened, dedicated and selfless leadership, well-honed means to encourage members' involvement and participation. External factors include positive support and helpful role of the government, market reforms, reasonable rate of growth in agricultural/economy, availability of basic infrastructure, and healthy linkages with regulatory and development agencies and institutions (Prakash, 2009).

2.5 Problems faced by co-operatives in South Africa and other countries

The success of co-operatives is affected by various challenges which make them not to achieve what they want to accomplish. The DTI (2009) reported that most emerging co-operatives in South Africa are not at the point yet where they are able to reduce poverty and there are certain elements that these co-operatives still have to put in place. The most important one being support towards the development of skills and abilities in certain key areas including sector-specific training and business practices specific to the co-operatives sector (DTI, 2009).

According to Harms (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 do and are able to do. Furthermore, these enterprises are too weak to survive on their own disregarding their potential to contribute to employment and income generation. Harms (2009), lists issues such as lack of coordination between different government departments, lack of a database of 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 situation that municipalities are faced with.

Kirsten, van Zyl and Vink (1998) indicate that the ability of co-operatives to mobilize financial resources and risk capital remains problematic. According to Guzman, Arcas and Garcia (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 co-operatives are not above such conditioning factors. They ought to consider reaching their optimum dimension based on both external and internal growth (Guzman et al., 2007). 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.

Mkhabela (2005) points out that many small scale vegetable producers experience problems because they sell small quantities of vegetables to finance daily domestic requirements. Various constraints are responsible for low income of vegetable-based cropping systems (Mkhabela, 2005). Over the years the vegetable based crop farming has succumbed to a variety of constraints such as productivity, market, technology, and institutionally related constraints. These constraints have led to the decline of farmers' income from a vegetable-based cropping system. All these factors lead to unsustainability of the vegetable based cropping system (Mkhabela, 2005).

According to Kanyane (2009), there is a danger that government led co-operatives ultimately collapse when the state protection and support are withdrawn. Kanyane (2009) further indicates that one of the hindrances facing co-operatives in South Africa is that they are highly politicized and funded by the government apparently in some cases based on a political point scoring exercise with no sustainability guaranteed plans and backup systems in place.

Polman (2006) is of the view that most agricultural co-operatives represent small-scale rural producers lacking institutional capacities of scale due to limited access to production resources, markets and services, in many cases, operating under adverse agro-ecological conditions (rain-fed agriculture). Government investment in the agriculture sector has declined over the last 20 years while, in most cases, agriculture research and extension, technology development has neglected the specific constraints of small-scale rural and agricultural producers (Polman, 2006).

Kanyane (2009) is of the opinion that for a co-operative to survive, the business must be viable. He further indicates that achieving business viability is a complex challenge in any business and is much more complex in the context of a co-operative enterprise. According to Kanyane (2009), most unfortunately, co-operatives are often started by unemployed people, often with low skills levels, and no prior business experience in economically marginal areas. Like all businesses, it is under these circumstances that they have the least chance of success if this business literacy challenge is not attended to with the urgent attention it deserves (Kanyane, 2009). Another common business challenge with the co-operatives, according to Kanyane (2009) is that they start with an oversupply of labour, relative to their production base, and relative to the absorption capacity of the markets they are targeting. Co-operatives are thus initiated, yet scant attention is often paid to the mark-ups, break-even points and viability drive of the business in context. This arises partly as a result of the social goals that many co-operatives hope to achieve in response to the pressures of unemployment, and the large numbers of people that want to be part of any activity that offers hope (Kanyane, 2009).

Co-operatives in other countries are also experiencing challenges. Hanf and Török (2009) conducted a study in Hungary and the findings presented show that co-operatives face severe problems in delivering high quality products because of their governance structures. This, according to Hanf and Török (2009) is because retailers, even as a basic quality, demand high quality products. In that study it was concluded that co-operatives must modernize their governance structures and business models. Co-operatives must make necessary changes in order to remain in the market or to be integrated into modern supply organizations. In that case, co-operatives can integrate small farmers into such supply chain networks Hanf and Török (2009).

White, Miles and Munilla (1997) found out that agricultural co-operatives were not utilizing discounted capital budgeting techniques in their capital investment decision making to the same extent as for-profit businesses. Agricultural co-operatives face many difficult problems in making investment decisions (White et al., 1997). It is also indicated that co-operatives may not have adopted capital budgeting for a variety of reasons, which include:

- lack of financial sophistication by co-operative management;
- difficulty in determining the economic objective functions of a co-operative; and
- difficulty in estimating an appropriate cost of capital to the co-operative.

Agricultural co-operatives have not been as sophisticated in their utilization of capital budgeting as a planning and financial management tool as have traditional corporations (White et al., 1997).

Nilsson and van Dijk (1997) state that agricultural co-operatives in the United States are increasingly faced with the dilemma of balancing community needs and commodity organization bottom line. Consequently, co-operative leaders are constantly addressing the 'boundary of the firm' challenge, a narrow set of products or a multipurpose organization (Nilsson and van Dijk, 1997). Under the recent import-liberalized process for farm products, there is a new stage of agricultural co-operative mergers and structural reorganization in Japan (Nilsson and van Dijk, 1997). The model of mergers which is presented is based on one as reasonable as a

financial company's model. Marketing business of co-operatives has shown a tendency to be neglected, while financial businesses have grown vigorously (Nilsson and van Dijk, 1997). Multi-purpose co-operatives are advancing in a direction by which their multi-purpose characteristic in itself will be lost. This trend will furthermore expand the imbalance among the functions of businesses. In addition, structural reorganization into two tiers is advancing separately in each business and is being carried out by the vertical system of two tiers. Multi-purpose co-operatives in Japan are dissolving into each part of the business organizations by the structural reorganization (Nilsson and van Dijk, 1997).

The new challenges associated with emerging consumer demands, global standardization processes, market concentration, stricter market requirements and price instability require different roles and capacities from co-operatives operating in agri-food value chains worldwide (Muradian and Mangnus, 2009). Muradian and Mangnus (2009) further indicate that their purpose and the empowerment of small producers have not changed but these days they need different means to achieve that goal. Instead of holding on to the defensive role they used to play in the past, co-operatives are now challenged to take on a more pro-active role in marketing, updating their organizational structure and engaging in value chain integration (Muradian and Mangnus, 2009).

Kaufman and MacPherson (2001) in Hancock (2008) state that there have been challenges concerning government support for co-operatives across Canada, but government could benefit from further exploring co-operatives as a tool to meet rural population needs. If co-operatives are to become more involved in the delivery of public services, the co-operative sector and the government need to engage with each other in dialogue to better understand each other so that collaboration is possible. Co-operatives are not just useful in meeting their specific mandate, but they also offer added benefits to the community such as skill development, economic development and so forth (Hancock, 2008).

Another type of internal problem of co-operatives, as mentioned by Nganwa, Lyne and Ferrer (2010) exists when members of a production co-operative are not remunerated for their individual labour effort. This labour problem is particularly

evident in farming co-operatives that naively reward all members equally, irrespective of the work they do. In this case, the threat of free riding discourages members' labour effort.

For agricultural co-operatives in developing countries, one of the main issues is how to deal with the inevitable tension between engaging in new entrepreneurial relations while also remaining an organization that is truly controlled by, and works for the benefit of, its members (Muradian and Mangnus, 2009). According to Muradian and Mangnus (2009), the experience of cooperatives in the Netherlands suggests that when managers become more autonomous they gain some entrepreneurial freedom, essential to adapt to new market situations, but at the expense of loss of direct influence of the members on the business. Professionalization and internationalization of co-operatives may result, unintentionally, in the exclusion of their more vulnerable and less competitive members. The risk that cooperatives undertaking governance changes towards more entrepreneurial settings drift away from the interests of their members is also present in developing countries (Muradian and Mangnus, 2009).

Research in South Africa (Van der Walt, 2005) also indicates that co-operatives, especially newly established co-operatives in rural areas, have a substantial need for training and managerial assistance during the establishment phase. Once the co-operative is in operation, continuous member education is critical to keep members committed to and involved in the co-operative. Van der Walt (2005) is of the opinion that for co-operatives to be successful they must be managed effectively, the initiative for the co-operative must come from its members, there must be member support and commitment, there must be education, and members must have an entrepreneurial mind.

In a study conducted by van der Walt (2005), in Limpopo, the findings show that the use of co-operatives by small businesses is almost non-existent. Van der Walt (2005) is of the opinion that the utilization of this business form by small businesses is an aspect that can be exploited and promoted. Although entrepreneurs as owner of their own businesses are not associated with co-operatives, they are facing the same economic problems that South African farmers have experienced for years

(van der Walt, 2005). The benefits of a co-operative, as viewed by van der Walt (2005), also apply to small businesses and this form of business can be used by small businesses with good results.

In a study conducted by Mkhabela (2005), in Kwa-Zulu Natal, the findings were that the performance of vegetable based cropping systems are not satisfactory despite the programmes which were launched by the Department of Agriculture and Environment, with the mandate of small – scale farmers' development. The programmes included subsidy schemes for seed and seedlings, fertilizer subsidy, schemes and extension services.

Kanyane (2009) points out that notwithstanding the international and local support of attempting to rekindle the co-operative movement for poverty reduction as part of local economic mainstream, co-operatives are from time to time confronted with many constraints and challenges. It is further indicated that in Limpopo Province, pilot co-operatives were allocated grants in 2003 as seed capitals but it was difficult to resuscitate some and support other co-operative initiatives in a co-ordinated fashion. Although there is a fertile co-operative potential in South Africa, co-operative movements remain underdeveloped with the exception of a large agricultural co-operative sector (Mkhabela, 2009). It has proved extremely difficult for worker co-operatives to succeed and become sustainable in the South African context (Mkhabela, 2009).

2.6 Co-operatives that are doing well

There are co-operatives that are doing well in other countries. In a study conducted in Ethiopia by Spielman and Bernard (2009), the evidence presented shows that in spite of limited inclusiveness, some co-operatives are still able to generate benefits for individuals and households that are not formally members of a co-operative. Spielman and Bernard (2009) reported that the spill-over effects occur in a number of instances, for example, where the co-operative supplies inputs to both members and non-members, or where non-members are able to access services through a family member who is also a co-operative member. These spill-overs are an unintended consequence of co-operative design and implementation, and may

contribute to improving the livelihoods of both members and neighbours by enhancing agricultural production and productivity, and generating income from the sale of marketable surpluses. Moreover, these spill-overs may contribute to strengthening or expanding the social networks that smallholders need to access resources, adopt new technologies, search for new information, leverage external support, and otherwise improve their livelihoods.

It is stated in the report by Spielman and Bernard (2009) that the study recognizes the potential contribution of smallholder co-operatives to increasing agricultural production and improving rural livelihoods in Ethiopia. They further indicated that in the long run these contributions are likely to play a role in meeting Ethiopia's wider objectives of agricultural development, economic growth, and poverty reduction. A range of innovative policies and investments are needed to ensure that this contribution ultimately play a part in meeting these goals. If efforts to promote co-operatives will focus on defining the right role for co-operatives, strengthening local capacity to govern and manage co-operatives, and building trust between government and community, there is much cause for hope (Spielman and Bernard, 2009).

According to Hancock (2008), in a report compiled by the Co-operatives Secretariat entitled "Co-operatives: Solutions to 21st Century Challenges in Canada", it is indicated that co-operatives show a higher growth rate of employment than the Canadian economy in general. It is further stated in that report that co-operatives and other organizations that offer employment opportunities may contribute to addressing provincial goals of population retention, immigration and labor market development, and thus, it would be worthwhile for the government to explore these options further.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research design

This study will utilise both qualitative and quantitative research approaches. Qualitative research is research conducted using a range of methods which use qualifying words and descriptions to record and investigate aspects of social reality (Bless & Higson-Smith, 2000). Quantitative research is research conducted using a range of methods which use measurement to record and investigate aspects of social reality (Bless & Higson-Smith, 2000). The study will focus on getting perceptions, views and behaviours of members of agricultural co-operatives.

Case studies will be conducted because for most agricultural co-operatives that deal with vegetables the membership ranges from 8 to 20. Two agricultural co-operatives will be included in the study, one of which is functional and is producing, marketing and selling produce and one of which is not functional, as a proxy for control. According to De Vos, Strydom, Fouche and Delport (2005), a case study aims at the exploration or in-depth analysis of phenomena. According to Struwig and Stead (2001) case studies are conducted to isolate three factors. These factors are features that are common to all cases in the general group, features that are not common to all cases, but are common to certain sub – groups and features that are unique to specific cases.

3.2 Study area

The study was conducted in Polokwane Municipality, in Limpopo Province in 2009/2010. The population size of the municipality is approximately 561 770 people (Community Survey, 2007). The area of the study is selected because of accessibility. The research entailed collecting baseline data from members of agricultural co-operatives and government officials dealing with co-operatives. The data that was collected was that which could be used in studying the impact of agricultural co-operatives on poverty alleviation so that the aims and objectives of the study could be accomplished.

3.3 Sample size and selection method

The units of analysis were members of agricultural co-operatives who deal with vegetable gardening. According to Bless and Higson-Smith (2000), the unit of analysis is the person or object from whom the researcher collects data.

Given the budget constraint and the distances between co-operatives, two purposively selected co-operatives, one identified as functional and one identified as non-functional were included in the study. As mentioned earlier, co-operatives tend to have small numbers of membership so all members of the selected co-operatives were included in the study. These two co-operatives were selected from a list of co-operatives dealing with vegetables, obtained from the Department of Agriculture under the jurisdiction of the Polokwane Municipality. The functional co-operative was selected because it consisted of many members as compared to others on that list. The non-functional co-operative was selected because the members of that co-operative were still holding meetings and trying to revive it. It was also possible to locate all the members who were still part of that co-operative.

The non-functional co-operative served as a proxy for control since it was difficult to arrange to study an area where co-operatives were never introduced. The functional co-operative had 28 members, while the non-functional co-operatives' membership has decreased from 15 to eight. The non-functional co-operative consisted of 15 members when it was started and it previously produced crops which were sold to customers. That co-operative experienced problems which will be outlined in the next chapter, which contributed to its lack of success. Please see Appendices A and B for the questionnaires administered to the functional and non-functional co-operative.

While it is realized that the sample sizes of 28 for the functional co-operative and 15 for the non-functional co-operative are small, the alternative would have been to purposively select two additional co-operatives with one functional and one non-functional but budget constraint precluded this. Having made this observation, an attempt was made to study the purposively selected co-operatives in case study format thus somewhat addressing, but of course not entirely circumventing, the issue

of small sample sizes as this remains one of the strongest limitations of this study. In a study conducted by the DTI (2009), it was found that the majority of co-operatives had fewer than ten members. In this study, it was found that the people in the vicinity of the co-operatives, who could serve as a control, were unwilling to be interviewed since they perceived themselves to be disadvantaged by not participating in the co-operatives. Government officials who were responsible for these co-operatives were also requested to complete the questionnaires, as informants. Please see Appendix C for the questionnaire administered to government officials.

3.4 Data collection methods

Secondary data were collected from policy documents, acts, journals, books, paper reviews, and case studies. Primary data were collected from members of co-operatives who were the primary participants in the study, and from government officials. The researcher designed questionnaires, and these were used in order to ensure that respondents were asked the same questions. The questionnaires consisted of a variety of questions, which included factual questions, open-ended questions, and closed or pre-coded questions. Bless and Higson-Smith (2000) describe factual questions as those that request objective information about the respondents such as social background or related personal data. They further indicate that open-ended questions are those that leave the participants completely free to express their answers as they wish and as detailed and complex or as short as they feel is appropriate. Closed or pre-coded questions are those that offer the respondent a range of answers to choose from (Welman, Kruger & Mitchell, 2005).

Data were collected by the researcher personally through semi-structured interviews. That ensured that all the questions that were supposed to be answered by a respondent were responded to. Members of the functioning co-operative were interviewed individually in order to assess incomes and perceptions on well-being. The co-operative members were interviewed at the project site, while government officials were asked to complete the questionnaires because it was difficult for the researcher to interview them at their work places.

The structured interviews were used to estimate incomes and the semi-structured interviews assisted to clarify concepts as they allowed for the establishment of a list of possible answers. According to Bless and Higson-Smith (2000) in structured interviews the interviewer puts a collection of questions from a previously compiled questionnaire, which is the interview schedule. Semi-structured interviews allow for the discovery of new aspects of the problem by exploring explanations supplied by participants (Bless & Higson-Smith, 2000).

Focus group discussions were held with respondents from the non-functional co-operative because the number of members had decreased from fifteen to eight. According to Krueger (1998) in Struwig and Stead (2001), focus groups generally comprise four to eight research participants whose participation is voluntary and who are homogeneous in some respects. Struwig and Stead (2001) point out that focus groups should be held in an environment that is free from noise and comfortable. In this research, the focus group was held at one of the respondents' house which was comfortable for all.

3.5. Ethical considerations

Welman et al. (2005) point out that ethical considerations come into play at three stages of a research project, i.e., when respondents are recruited, during the intervention, and in the release of the result obtained. Attention was paid to ethical considerations during the study. Consent was sought from respondents before commencing with the study. The researcher did not use incentives which respondents could not resist in order to entice them for taking part in the research. Respondents were informed that they were free to take part or to withdraw at any point if they wished to do so. There was not any form of coercion from the researcher. Respondents were not tricked into participating involuntarily in the study. A letter from the Turfloop Graduate School of Leadership was submitted to the person in charge of the co-operative to confirm that they would be participating in a study for academic purposes.

The research was conducted and finished because there were no signs that respondents might be harmed. Therefore there was no need for premature

termination of the study. The research was conducted where respondents were comfortable. Confidentiality, anonymity, and privacy of respondents were respected. Names of respondents were not written on questionnaires. Respondents were interviewed individually and the information was not discussed with others.

3.6. Significance of the study

The study will add value on the impact assessment of agricultural co-operatives and will highlight what needs to be done to promote the growth of agricultural co-operatives.

CHAPTER 4: PRESENTATION AND INTERPRETATION OF RESULTS

4.1 Introduction

The chapter outlines the results which were derived from the study. The findings indicate whether respondents were able to generate income or gain from involvement in the co-operatives. The chapter also focuses on challenges that respondents were faced with when engaging in activities of co-operatives. Respondents' perceptions about participation in co-operatives are also looked at. The results will also show whether the income generated from the co-operative contributed to the improvement of quality of lives of respondents.

4.2. Demographic information of respondents

Summaries of characteristics of the functional co-operative with regard to the gender categories, marital status, and age categories are shown in Tables 1.1, 1.2, and 1.3 respectively.

Table 1.1 Distribution of membership by gender (%) (Functional co-operative)

Females	96
Males	4
Total (n=28)	100

Source: Study survey

Table 1.2 Distribution of membership by marital status (%) (Functional co-operative)

Married	50
Single	29
Widow	21
Total (n=28)	100

Source: Study survey

Table 1.3 Distribution of membership by age categories (%)
(Functional co-operative)

28 – 37	11
38 – 47	25
48 – 57	14
>57	50
Total (n = 28)	100

Source: Study survey

Regarding gender in the functional co-operative, the analysis shows that the majority of respondents were females (96 percent). That was attributed to the fact that the co-operative was formed as a project for women; the male member had replaced his wife who was unable to work. The Department of Trade and Industry also found that co-operatives that consisted of only women members accounted for 264 co-operatives, representing over 20 percent of the total co-operatives sample (DTI, 2009). Again, in a study conducted by Mmbengeni and Mokoka in Limpopo Province in 2002, it was found that females were the majority in food security projects like poultry, piggery, vegetable gardens and grain crops, in the province whereas men were mostly found in the commercial farming co-operatives like cattle breeding and orchards. The respondents from the non-functional co-operative were all females.

With regard to marital status in the functional co-operative, Table 1.2 shows that half of the respondents were married, i.e., 50 percent, 29 percent were single, while 21 percent were widows. That showed that married women were also affected by poverty and they also needed to provide for the needs of their households. The analysis of ages of respondents in Table 1.3 shows that 11 percent were in the age category of 28-37, 25 percent were in the age category of 38-47, 14 percent were in the category of 48-57 and 50 percent were in the “58 and above” category. The majority of respondents fell in the “58 and above” category because most of them joined when the co-operative was initiated. The co-operatives consisted mainly of elderly people. Generally, co-operatives in South Africa were in the past left to be run by the elderly people, and the legacy continued to exist and that left co-operatives

untenable (Kanyane, 2009). Kanyane (2009) further argued that although the youth in South Africa were confronted with unemployment, most of them were ignorant whereas some were less interested in joining the co-operative movements due to the legacy of the past.

4.3 Education level of respondents

Figure 1 shows that 61 percent of the respondents in the functional co-operative fell in the grade 0-6 category; 29 percent fell in the grade 7-11 category; 6 percent had passed grade 12; while 4 percent had studied beyond the level of grade 12. It is evident from the analysis that most of the respondents either did not attend school or they did not study beyond grade six. That implied that the majority of respondents were not literate. Kroukamp (2006) conducted a study where the findings revealed that there was a correlation between the level of education and poverty; the poverty rate among people with no education was high at 69 percent as compared to 3 percent among those with tertiary education.

All the members of the non-functional co-operative had graduated at tertiary institutions, and they were employed before they retired. Those respondents had employed people who were unemployed and unskilled to work in their plots, and they paid them an income in return for their services. The income was, however, not from the proceeds of the co-operative but from other sources such as respondents' pension money. Those people continued to help members and they did activities such as cleaning the yard of the co-operative. The co-operative was not contributing in generating income for members, thus the respondents from that co-operative were not benefitting from their involvement in the co-operative. The respondents from the non-functional co-operative were using money from their households to pay their helpers because they were determined to work and revive the co-operative. Those respondents continued to hold meetings in order to come up with ways of reviving the co-operative.

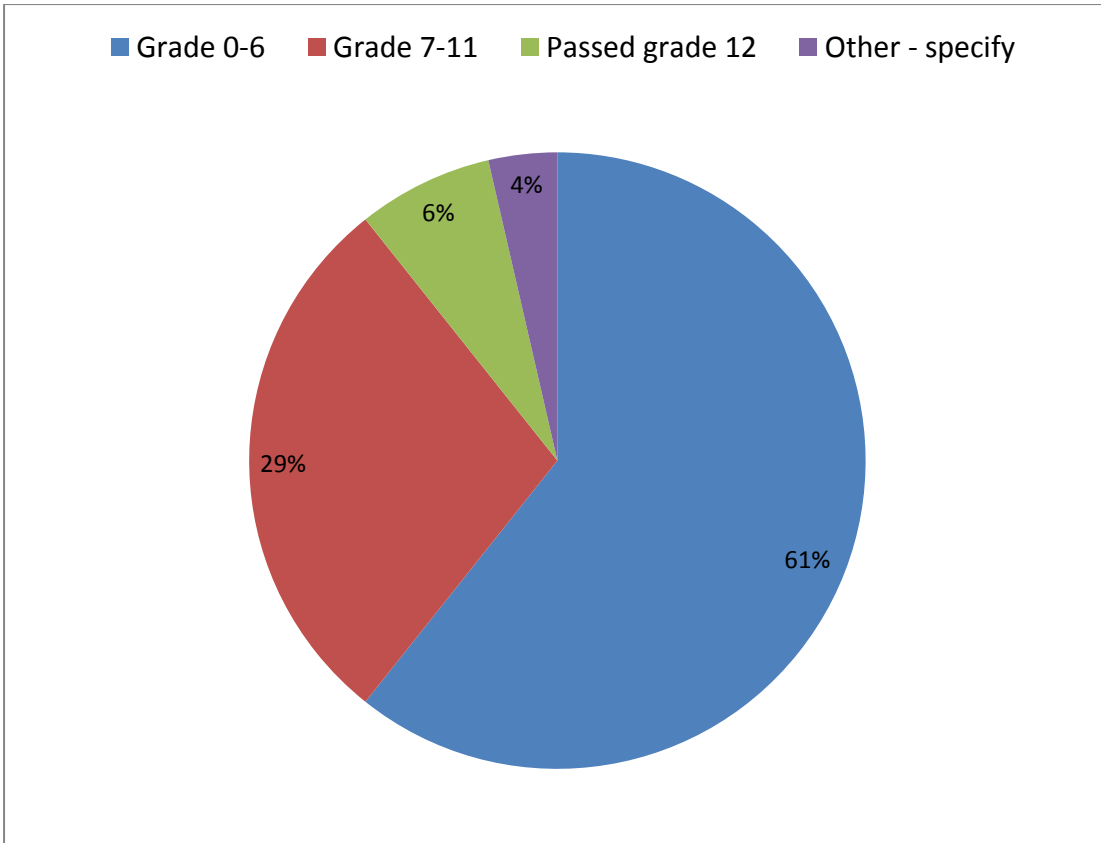


Figure 1: Level of education of functional co-operative

Source: Study survey

4.4 What motivated respondents to start or to become part of co-operatives

Respondents from both the functional and non-functional co-operatives indicated that they volunteered to be part of the co-operatives when government officials encouraged women to work together in projects to alleviate poverty. Some of them had already started to work in agricultural projects when the government encouraged women to be involved in co-operatives. The call by government officials motivated them to continue to work with others in order to generate income. Some of them were working individually in their own homes and they saw the need to join those who were working collectively in community projects. Respondents from the functional co-operative were motivated to be part of a co-operative which would help them earn an income, make a living and provide for their families, rather than producing mainly for household consumption or selling a few bundles of produce. The functional co-operative was involved in producing, marketing and selling their

produce. Co-operatives provided a means by which disadvantaged groups could work together, share risks and solve their common problems (Zarafshani, Rostamitabar, Hosseininia, Akbari & Azadi, 2010).

Respondents from the non-functional co-operative saw involvement in the co-operative as an opportunity to do business with the local hospital and to augment their income. They wanted to be part of a group which would help them to work with others and share ideas at a community level. The other reason was that members of the non-functional co-operative wanted to involve people from disadvantaged backgrounds in their co-operative. According to Birchall (2003), co-operatives began by enabling people to raise themselves above poverty but later they became a means by which low and middle-income people continued to accumulate economic advantage. Initially, the non-functional co-operative was involved in producing, marketing and selling produce. They tried to work with fresh produce markets in Polokwane and Gauteng, but they did not succeed. The non-functional co-operative experienced problems because their products were not bought and as a result they could not generate income to sustain their business.

4.5 Improvement of respondents' quality of lives as estimated by income

The analysis shows that there was an improvement in the quality of life of respondents from the functional co-operative because all of them received income from the co-operative. Each member worked on his or her plot and generated income from the vegetables that they planted and sold as a co-operative. The incomes depended on the ability of the co-operative members to work, market and sell their produce, as well as on the support of customers. Figure 2 shows income received by the respondents. The analysis shows that 29 percent of respondents each received an average income between R0-R500 per month, 39 percent each received between R501 and R1000 per month, 25 percent each received R1001-R1500 per month, and about 7 percent each received R2001 and more. This analysis reveals that only 7 percent made up the top end of the scale, while 39 percent were found at the bottom end. Most of the respondents did not record the actual amounts that they made during the month because they used the money for household requirements when customers bought products from the co-operative.

They could be getting more because they maintained that participation in the co-operative had contributed positively in their lives. Respondents from the non-functional co-operative did not earn an income from the co-operative when the study was conducted because they had not been working for some time. Their co-operative was not producing any products at that time.

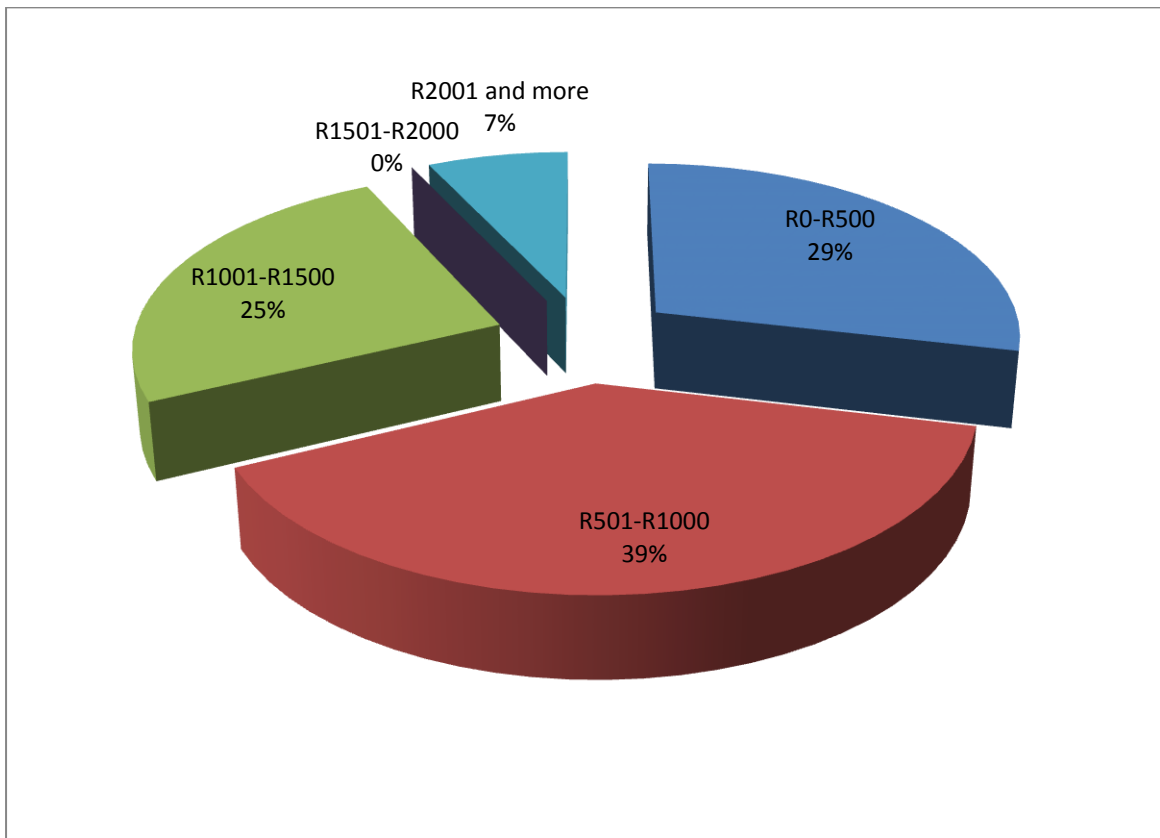


Figure 2: Average income received from the functional co-operative per month
Source: Study survey

Most of the income generated from the functional co-operative was from regular customers that did business with the co-operative. The co-operative had regular customers which supported the business. When crops were ready for harvesting, the respondents contacted those customers, who then went to the co-operative to buy fresh produce. Respondents shared those customers to ensure that they all did business and benefitted as a co-operative. However, Table 1.4 shows that 4 percent were not satisfied with the arrangement because those customers supported all the members of the co-operative, not individual members. That implied that that percentage did not understand that they were supposed to work as a co-operative.

Most of the respondents were satisfied with the arrangement because when a customer came to the co-operative they discussed how many bundles each of them would supply on that particular day. For example, if a customer wanted a hundred bundles of spinach, they would divide that number according to the number of respondents. It was indicated that there were no problems between regular customers and the co-operative as they had a mutual understanding and they supported each other. Regular customers were given special prices for vegetables to encourage them to continue to do business with the co-operative. For example, they bought bundles of carrots and beetroots for R3.00 each, while non-regular customers bought them for R5.00. Cabbage was sold at R5.00 for regular customers while non-regular customers bought it for R8.00 each.

Table 1.4 Satisfaction with arrangements of regular customers (%) (Functional co-operative)

Yes	96
No	4
Total (n=28)	100

Source: Study survey

Respondents did not have existing contracts with customers, as a co-operative. However, one of the members had contracts with customers, as an individual. The respondent concerned indicated that they went on to sign contracts with customers near their village because other members in the co-operative were sceptical about the issue of contracts. Most of those who were sceptical about signing contracts were those who were not educated. The crops which were sold to these contracted customers were from that respondent's plot. The arrangement made the respondents who had signed contracts to be sure about business and to strive to satisfy those customers. The amount of income that that respondent received was bigger than that of others. That meant that contractual arrangements could boost respondents' income. Respondents from the non-functional co-operative did not have any existing contracts with customers. They had an arrangement with Pietersburg Fresh Produce market previously, where they took their products for

selling. However, according to the information given the arrangement did not help them that much because they were often told that their products were not bought.

The analysis in Figure 3 indicates that the majority of respondents, i.e. 68 percent, who did not have existing contracts would not consider signing any, as compared to 32 percent who would consider signing contracts. The reasons mentioned were that contracts were complicated, customers might be discouraged to do business with the co-operative because they might feel they were obliged to buy from the co-operative, and that those who were not educated might not fully understand the contents thereof.

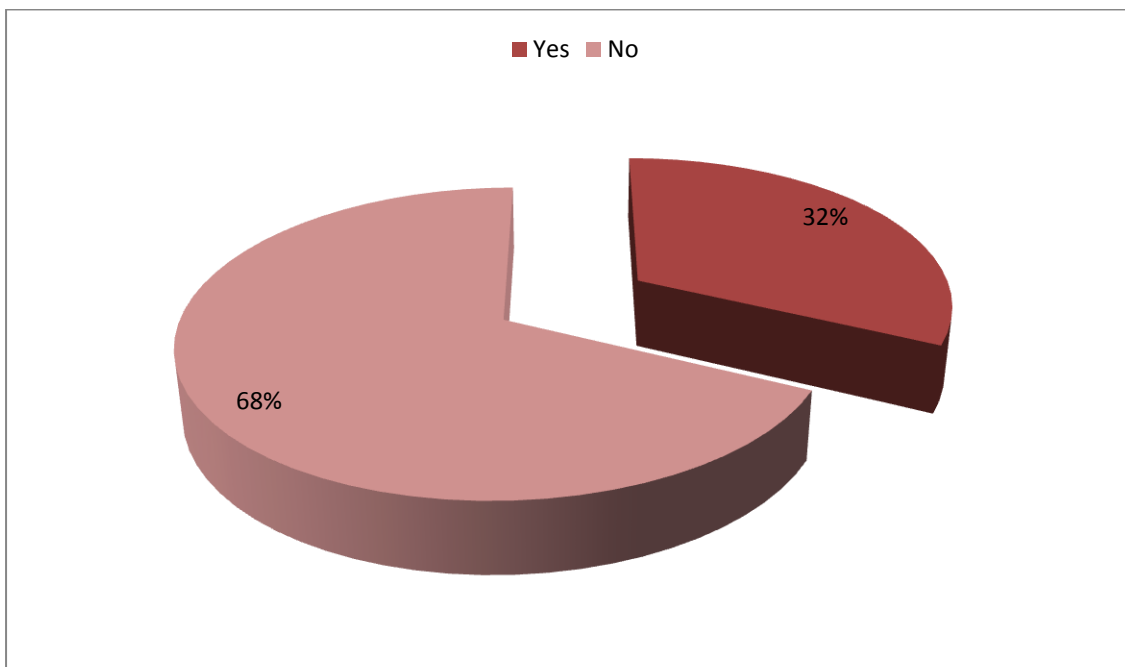


Figure 3: Consideration of signing contracts with customers (Functional co-operative)
Source: Study survey

The analysis in Figure 4 shows that 64 percent had received income before joining the co-operative, while 36 percent did not receive any income before joining the co-operative. Figure 5 indicates the sources from which the income was received. 4 percent of the respondents had had full-time employment before joining the co-operative, 32 percent had casual jobs, and 25 percent were employed as domestic workers, 32 percent were unemployed, while 7 percent were hawkers. The analysis

reveals that most of the respondents did not have a stable income as they did not have permanent jobs. Thus involvement in the co-operative had assisted with the generation of a monthly income for 36 percent of respondents who did not have an income before. Even the respondent who had full time employment was retrenched before he joined the co-operative. The respondents from the non-functional co-operative, on the other hand, had full-time employment before they retired. The respondents from that co-operative were not gaining from the co-operative.

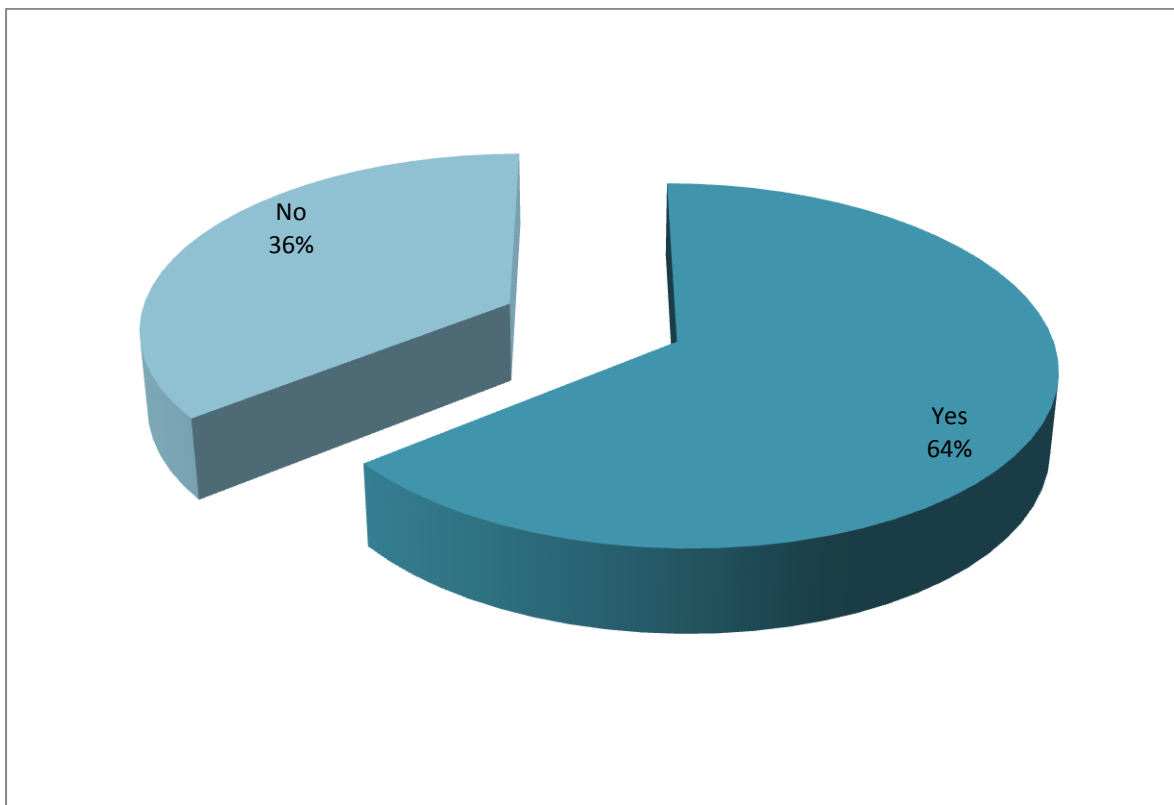


Figure 4: Income received before joining co-operative (Functional co-operative)

Source: Study survey

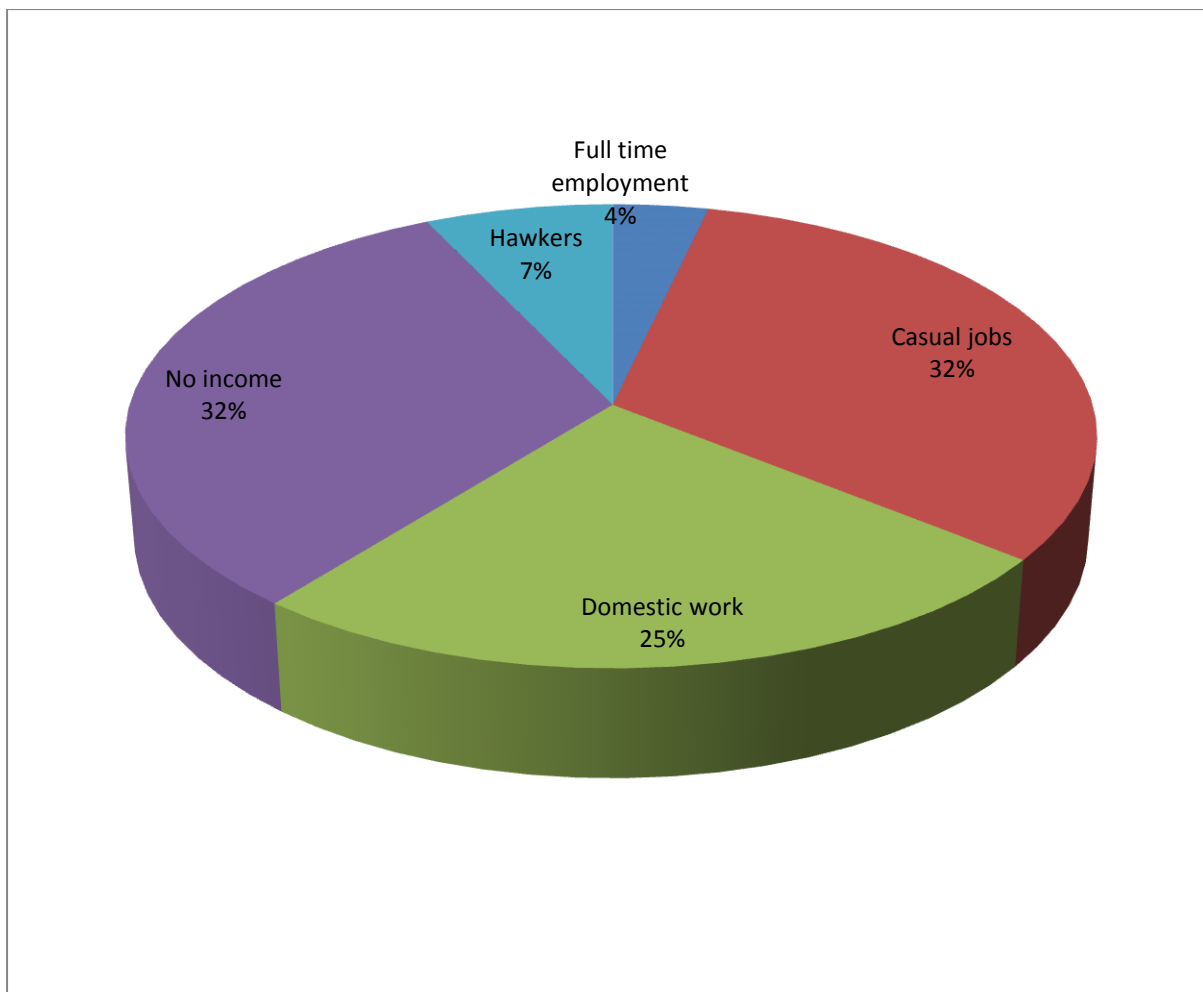


Figure 5: Source of income before joining co-operative (Functional co-operative)

Source: Study survey

On whether respondents were able to support their families, Figure 6 shows that respondents were able to support their families through the income they received from the co-operative. The percentage was high at 96 percent for those who were able to support their families, as compared to 4 percent of those who were unable to support their families through the income that they generated from the co-operative. The reasons given were that the income was also used to repair machines and as a result they did not take much home. Wanyama, Develtere and Pollet (2008) indicate that co-operatives offered direct wage employment to people who worked in primary and secondary co-operatives as well as in governmental co-operative institutions.

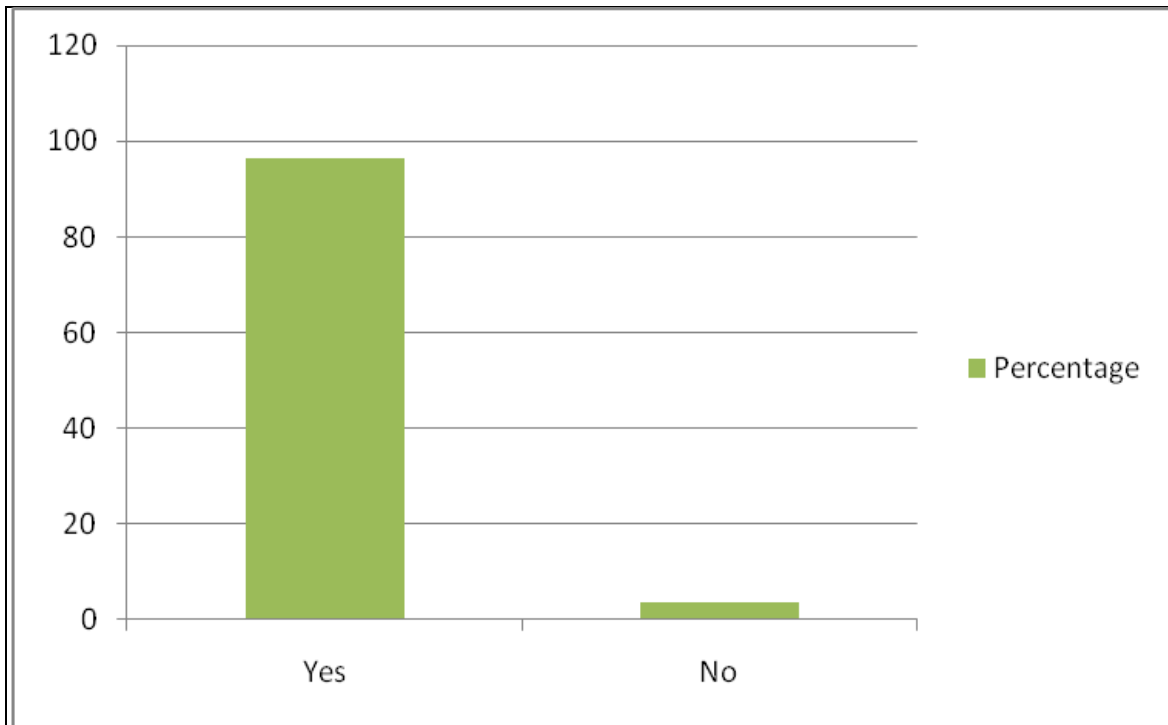


Figure 6: Ability to support family (Functional co-operative)

Source: Study survey

Most of the respondents received additional income mainly from government grants. The analysis in Table 1.5 reveals that 79 percent received an additional income, as compared to 21 percent who did not receive an additional income. It is shown in Table 1.6 that the majority of respondents, i.e., 75 percent received government grants, while 18 percent did not receive an additional income. The other 7 percent received an additional income as hawkers. They engaged in other activities during their spare time. The amount of the additional income varied between R500 and R2000, as shown in Table 1.7. Those who received between R0 and R500 were at 46 percent, those who received between R1001 and R1500 were at 50 percent, and those who received between R1501 and R2000 were at 4 percent. The 4 percent generated more income because they had contracts with customers. Respondents from the non-functional co-operative depended on the pension that they received from their former employers, as they had retired.

Table 1.5: Any additional income received (%) (Functional co-operative)

Yes	79
No	21
Total (n=28)	100

Source: Study survey

Table 1.6: Source of additional income (%) (Functional co-operative)

Government grant	75
Casual jobs	7
None	18
Total (n=28)	100

Source: Study survey

Table 1.7 Amount of additional income per month (%) (Functional co-operative)

R0-R500	46
R1001-R1500	50
R1501-R2000	4
Total (n=28)	100

Source: Study survey

The analysis in Table 1.8 shows that large percentages of respondents were able to meet their families' basic needs through the income that they received from their work in the co-operative and the income from additional sources. All of them were able to buy food and pay for other household requirements, while 93 percent were able to buy electricity. The remaining percentage did not have electricity at their villages. This analysis indicates that respondents' involvement in the co-operative contributed positively to their lives because they were able to provide for their families and improve their conditions. There was an improvement in respondents'

families' because they were in a position to provide basic necessities and to augment the income from other sources.

Table 1.8 Improvement on quality of lives (%) (functional co-operative)

	Percentage for 'yes'	Percentage for 'no'	Percentage for 'not applicable'
Ability to buy food	100	0	0
Ability to pay school fees	75	0	25
Ability to buy electricity	93	0	7
Other household requirements	100	0	0
Other – burial society	75	4	21

Source: Study survey

The time which respondents had to work before generating income from the co-operative is shown in Table 1.9. The analysis indicates that a large percentage received income from the time they started to work, about 79 percent. These respondents joined the co-operative when it was already established and there was an irrigation system which helped them to water plants. The co-operative also had customers who were supporting the co-operative regularly; that is why they started to receive an income from the first year of their involvement in the co-operative. 7 percent started to receive income from the co-operative after 2-3years, 6 percent received income after 3-4 years of joining, 4 percent started to receive income after 4-5years, 4 percent started to receive income from the co-operative after 5 years. Those who started to receive income after three, four or five years were mostly those who joined when the project started, when they did not have a proper irrigation system and when their co-operative was not known by community members.

Table 1.9 Number of years before receiving income (%) (functional co-operative)

1-2 years after joining the co-op	79
2 - 3yrs after joining the co-op	7
After 3-4 yrs	6
After 4-5yrs	4
Other (specify)	4
Total (n=28)	100

Source: Study survey

According to the analysis in Figure 7, about 46 percent of respondents strongly agreed that involvement in the co-operative had improved the quality of their lives, while 54 percent agreed that there was an improvement in the quality of their lives. None of the respondents disagreed, which meant that involvement in the co-operative had contributed positively in respondents' lives. Ortman and King (2007) supported that finding by stating that co-operatives empowered people to improve their quality of life and enhanced their economic opportunities through self-help.

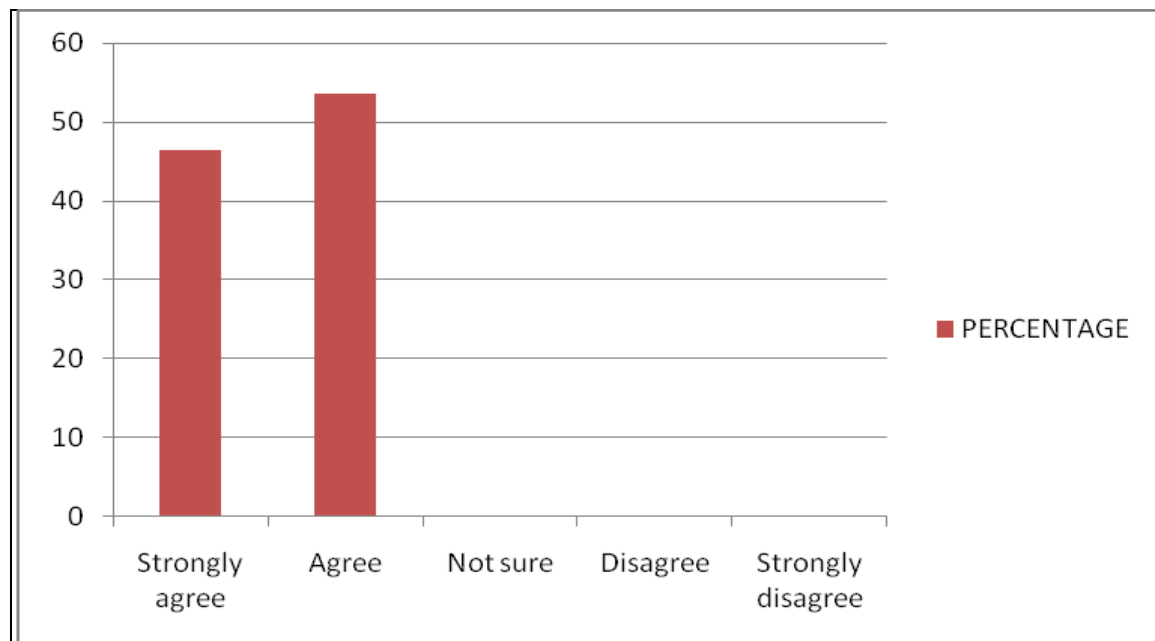


Figure 7: Improvement on quality of life (functional co-operative)

Source: Study survey

The respondents from the non-functioning co-operative had previously received income from the co-operative but it was only for a short period. Sometimes they made R200 or R300 per day after they had harvested. However, they did not sell the produce on a daily basis. The income generated when the co-operative produced vegetables, was not enough because they had to pay people who were working in the plots. On the other hand they had to buy seeds, compost, and other necessities for the co-operative. Unlike the functional co-operative, the non-functional co-operative could not continue to produce crops due to the challenges that it faced. Respondents indicated that they experienced problems from the start but they never gave up. They were planning to continue with their efforts of reviving the co-operative. Their helpers were busy preparing the plots and cleaning the yard so that they could resume with the activities of the co-operative.

4.6 Contribution to poverty alleviation in the community

With regard to poverty alleviation in the community, the analysis in Figure 8 points out that 93 percent of respondents believed that the functional co-operative contributed to poverty reduction in the community. According to the information given, the respondents often asked people in the villages to assist them if there was too much work to be done, and in return those people were paid money and given vegetables. Donations of vegetables were also given to poor families with death cases, orphans and the needy. Pinto (2009) is of the opinion that farmers' organizations such as farmers' unions, farmers' cooperatives, farmer groups and commodity associations, as well as rural finance institutions, could play a key role in the development of rural areas in developing countries as well as in fighting poverty.

It was also reported that other community members bought vegetables from the functional co-operative, with special prices and thereafter they sold to people in the villages. That enabled them to start their own businesses. Community members were able to buy vegetables locally at reasonable prices, while saving on transport costs. Sometimes the respondents from the functional co-operative identified people who were unemployed and those people were given 10 bundles of vegetables to sell and to start their own businesses.

Four respondents indicated that they were among those who have been helped by the co-operative. When the original members of the co-operative were no longer able to work in the co-operative they gave them the opportunity to work in their plots. Wanyama et al. (2008) are of the opinion that co-operatives also indirectly employed through the spill-over effects of their activities on non-members whose income-generating activities were only viable through the transactions they had with, as well as opportunities created by, co-operative ventures.

The respondents who said that the co-operative did not reduce poverty indicated that local people were not interested in what the co-operative was doing, i.e., in the activities of the co-operative. It was stated that even though those people were poor they did not want to do anything about their situation. Some of them refused to help with work when they were asked to, while some of the local people seldom bought vegetables from the co-operative.

The non-functional co-operative had attempted to involve unemployed people by offering them an opportunity to engage in activities of the co-operative. However, the respondents from that co-operative ended up using resources from their households to pay those people. The co-operative did not produce products, so there was no income from the co-operative.

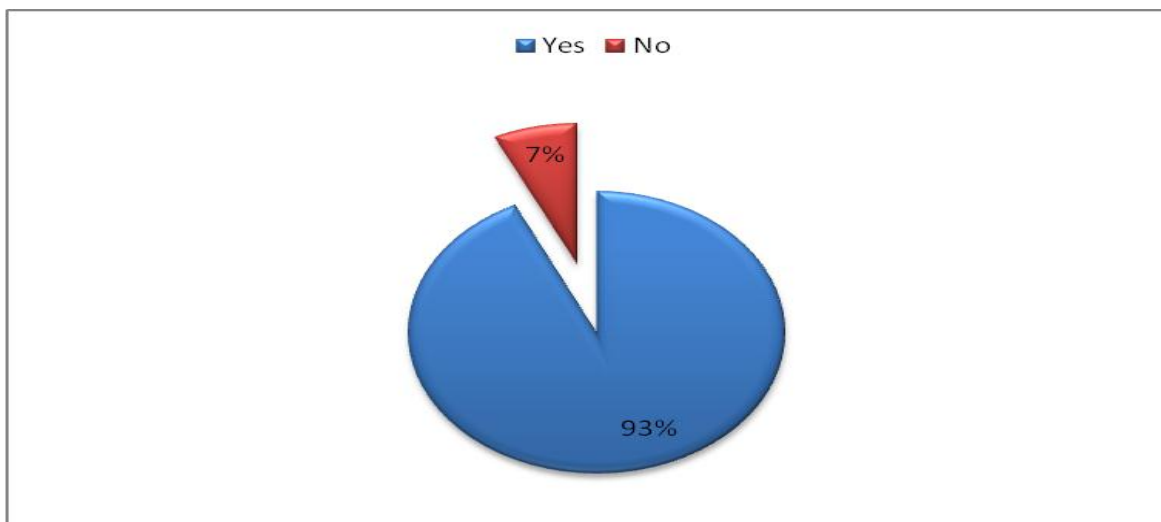


Figure 8: Poverty alleviation in the community (functional co-operative)

Source: Study survey

4.7 The extent to which members of co-operatives have acquired skills that can assist in poverty alleviation

The analysis in Table 1.10 shows that a large percentage of respondents, 57 percent gained other skills, while 11 percent of respondents did not undergo any training. The large percentages were those who had received training in other areas like food processing, Adult Basic Education and Training (for literacy), and planting and they were mainly those who did not go to school or who did not go beyond grade 6. It was established that those who were literate were nominated to attend courses. Thereafter they gave feedback and shared information with those who were illiterate. The analysis reveals that those who received training in marketing accounted for 18 percent, while those who received training in marketing and bookkeeping accounted for 14 percent. It was indicated that the skills have helped members with their work in the co-operative as they shared information with all, and they were able to get regular customers as a result.

Respondents were knowledgeable about what needed to be done when they prepared the soil for planting seeds; they knew how to plant seeds; they knew what they were supposed to do to take care of the plants, for example, how to water plants and how often. The respondents also indicated that they were able to advertise their products, know who to target for business, etc. Other respondents indicated that Adult Basic Education and Training had helped them to be able to read and count. Although not all of them kept records of their business transactions, some indicated that they did keep records so that they could monitor income and expenditure. Co-operatives were not only useful in meeting their specific mandate, but they also offered added benefits to the community such as skill development, economic development and so forth (Hancock, 2008).

The responses also show that respondents were able to process vegetables and produce atchaar, jam, etc. As a result their vegetables did not go to waste. The training and guidance they received from the government officials really helped them to perform their work.

Table 1.10: Skills gained (%) (Functional co-operative)

Marketing	18
Marketing and bookkeeping	14
Other skills	57
None	11
Total (n=28)	100

Source: Study survey

The data collected also reveals that the skills gained had contributed to livelihood in general because respondents were able to run their businesses, i.e.; they were able to prepare the fields, plant seeds, water and take care of their plants. Those who received grants indicated that they were able to augment their grants because of the skills that they have gained through involvement in the co-operative. It was indicated that respondents would not have been able to put food on the table, make a living, earn an income and be able to buy basic necessities such as bread for their families if they did not receive any skills from the co-operative. Hancock (2008) is of the view that co-operatives often provided training and through the experience of collective decision-making members were able to develop skills that could be used in other areas of their lives.

Respondents from the non-functional co-operative indicated that they received training in financial management, marketing, and planting and taking care of crops.

4.8. Assistance from government

The functional co-operative had received assistance from government, from the Department of Agriculture. They were assisted with infrastructure, i.e., a fence, an irrigation system, a store room, a toilet, a net, seeds and funds. The officials also helped them with guidance, information, and training. Hancock (2008) is of the opinion that assistance had to be given to the members of co-operatives, to create

income-generating activities, gain access to markets, and to improve their own social and economic well-being while respecting their autonomy.

The analysis in Figure 9 shows the rating of the level of assistance as viewed by respondents. Half of all the respondents (50 percent), viewed the level of assistance from government as very good, 32 percent viewed it as adequate, while 18 percent viewed it as poor. The respondents felt that the government could still do more to assist them, especially with funds and equipment such as tractors. The tractors would be utilised to clear the other field which was not used because it had tall grass which needed to be cleared. The co-operative would be in a position to produce more crops if that field was cleared because they would be able to extend their plots. The irrigation system would also need to be upgraded so that the extended plots could be covered as well.

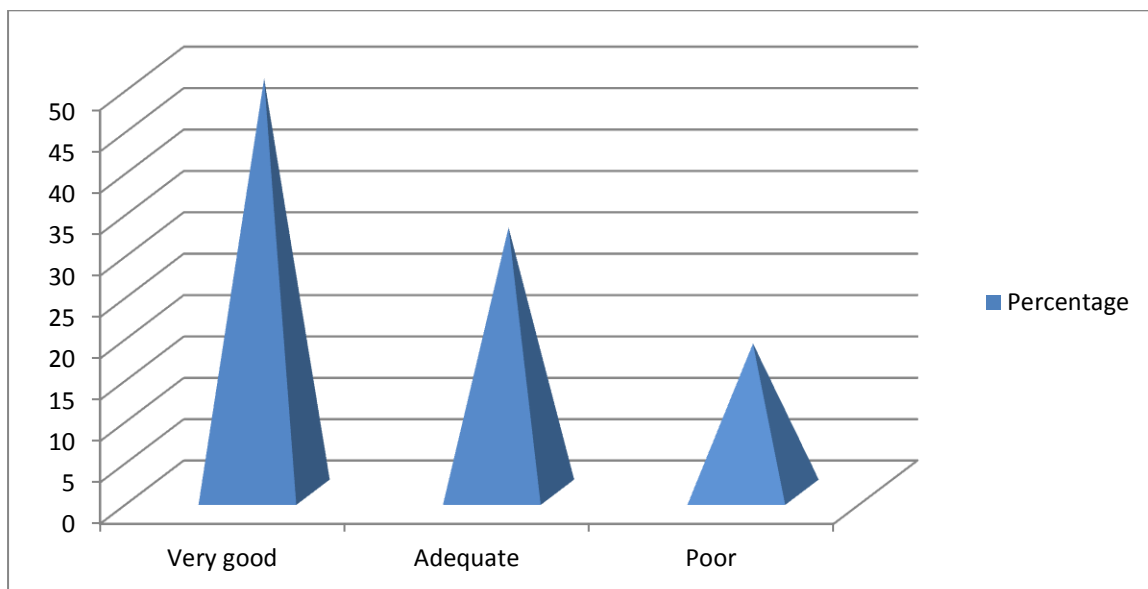


Figure 9: Rating of level of assistance from government (functional co-operative)

Source: Study survey

In the non-functional co-operative respondents were not satisfied with the level of assistance they received as they felt that their co-operative could have been successful if they received more support from government. They indicated that they received a water tank and a net for vegetables, and they were once funded by the Department of Health and Social Development when the co-operative was started.

According to the information given, there was once an official from the Department of Agriculture who gave them technical assistance, but things changed when he left. The assistance from that department deteriorated badly. According to the respondents from the non-functional co-operative, that contributed to their lack of success. The respondents from that co-operative felt that their co-operative would have succeeded if they had received adequate support and financial assistance from the Department of Agriculture. According to Todaro and Smith (2009), the full benefits of small-scale agricultural development cannot be realised unless government support systems are created that provided the necessary incentives, economic opportunities and access to needed credit and inputs to enable small cultivators to expand their output and raise their productivity.

Neither the functional nor non-functional co-operative has received assistance from other organisations. Respondents indicated that they were planning to find out if other organisations could be of assistance to them.

4.9 Why some co-operatives do not succeed

Information received from respondents from the non-functional co-operative revealed that their co-operative was affected by problems such as lack of water, lack of markets, theft of crops as well as lack of assistance from government officials. Those problems had been experienced ever since the co-operative was started. There were people who stole produce from the co-operatives when respondents were not there. Both co-operatives did not have security guards at the premises. The respondents from the functional co-operative were considering the issue of hiring a person who would guard their premises, however, it was indicated that they would not be able to remunerate that person at that time.

The non-functional co-operative had tried to do business with Pietersburg Fresh Produce Market previously to ensure that their produce was bought but things did not go well, they did not gain anything but they lost instead. They indicated that they would take fresh produce to the market, but when they went there to collect money they would be told that their crops got rotten. They also tried to send some fresh produce to Gauteng but they were often paid half of what they were supposed to be

paid. For instance if they sent six boxes they would be paid money for three boxes. The respondents from that co-operative had tried to sell their vegetables to ensure that they gained and continued to work but they did not succeed. That contributed to the co-operative losing some members because they did not gain from the co-operative. The respondents from the non-functional co-operative could learn from the functional co-operative by securing regular customers who would support their business, as well as by marketing their co-operative.

The study conducted by DTI (2009) found that almost 36% of the surveyed co-operatives reported that members had left because they had not received or seen any benefits for their participation. Although this in itself did not necessarily mean that members did not see their involvement in co-operatives as a form of self-help, it did show that a significant number of members had not received any benefits from being involved in a co-operative (DTI, 2009). Also, almost 59% of the co-operatives surveyed did not regard themselves as successful (DTI, 2009).

Respondents from the non-functional co-operative alleged that government officials often told them that they were not poor because they came from a township.

Information received from government officials was that most co-operatives experienced challenges such as:

- lack of funds
- lack of training on management of co-operatives
- the majority of members are old and depend on social grants
- many young people do not have an interest in agricultural projects
- lack of access to finance
- low literacy level
- conflict among members
- lack of on-farm resources
- lack of trust among members
- and lack of understanding of how co-operatives operate.

It is believed that if young people who had skills could join those co-operatives they could add value and make meaningful contributions due to their literacy level.

The respondents, especially those in the non-functional co-operative did not receive significant adequate assistance from government. Respondents from that co-operative indicated that they were not viewed as qualifying for government assistance because of their background. The minimal support and the way the non-functional co-operative was viewed contributed to the lack of success and it collapsed in the process. On the other hand, information gathered from government officials indicated that they visited co-operatives either once per week, fortnightly or monthly. The officials indicated that their duties included:

- co-ordinating the establishment of co-operatives
- facilitating linkages of commodity groups and co-operatives to agricultural development programmes
- linking co-operatives to markets
- offering economic advice
- assisting with business plans
- training co-operative members in financial management
- buying agricultural inputs
- and conducting peer review

The lack of provision of information and services to those co-operatives had a negative effect on their success. In order to stimulate the cooperative sector, advice regarding the operation of a co-operative must be provided. The unique nature of a co-operative also necessitates advice regarding registration, establishment and functioning of this business form (van der Walt, 2005).

If these two co-operatives had been properly linked to the markets they would have developed and they would be on another level because they had been in existence for a long time. The functional co-operative had regular customers, which included hawkers and Spar supermarket but they did not have contracts with them. What they had was just an agreement that if they needed vegetables they would contact the co-

operative, and when the co-operative's vegetables were ready to be sold they would contact their customers.

Lack of resources was the other issue that affected those co-operatives. Even the officials from government also confirmed that lack of infrastructure, finance, access to production inputs, and access to mechanization particularly tractors, and technical agricultural staff were the main contributory factors to the lack of success of agricultural co-operatives. Lack of transport was also one factor which jeopardised the growth and success of the co-operative because respondents were unable to transport their produce to other neighbouring areas. According to Mmbengeni and Mokoka (2002), lack of transport affected the provision of produce in an acceptable state to the available markets.

4.10 Measures taken by respondents to ensure that the co-operatives do not collapse

Respondents from the functional co-operative indicated that they worked very hard and they contributed money for electricity, for fixing machines and for buying seeds. According to the information gathered, they ensured that they used whatever information or knowledge they received from officials or other members when working. An arrangement was made by the respondents to water their plants on different days of the week, so that each one of them could get a chance to take care of their plants. The respondents ensured that there were people who were working at the plots every day. It was indicated that they discussed their problems even though there was conflict sometimes. They shared information and customers, if someone had learned about something new, he or she shared with others. However, they experienced problems like theft of crops. Respondents from the non-functional co-operative indicated that they were going to approach other organisations like LIBSA, for assistance in order to ensure that the co-operative was sustainable.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

This chapter will focus on conclusions and recommendations based on the findings of the study.

5.1 Conclusions

The results presented indicate that involvement in agricultural co-operatives can contribute positively to members' quality of lives. Data which has been collected from respondents from the functional co-operative indicate that members of this co-operative are able to generate income and to create employment for themselves and others in the community. The fact that respondents from the functional co-operative are able to support their families through their involvement in the co-operative indicates that their families are benefitting from their activities in the businesses. The income which is generated varies from month to month depending on the season. For example, respondents have indicated that they make more money in the festive season. However, it should be mentioned that respondents did not only rely on the income that they received from the co-operative, but they had other forms of income such as government grants.

It can be concluded that having regular customers who buy products from co-operatives help in ensuring that members generate an income because there are people who support them on regular basis. Members of the functional co-operative are able to earn a living because of this arrangement. The non-functional co-operative lacked regular customers and that is one of the reasons for their lack of success. The study has shown that contractual arrangements also contribute to the amount of income generated. A respondent who has contractual arrangements earns more than those who do not have contractual arrangements. Other respondents' income could increase if the contractual arrangement was done collectively.

It should also be mentioned that the skills which members have gained have contributed positively in the work that they are doing. Respondents have the knowledge and information on what to do in their plots and they apply this

knowledge. However, the same cannot be said for the non-functional co-operative as it did not get significant technical support from government officials.

The two co-operatives have been in existence for over twenty years but it was established that they still needed a substantial amount of assistance and guidance. Van der Walt (2005) indicates that the needs of co-operatives include many aspects, which include provision of infrastructure, funds, training, and information regarding other organisations that deal with co-operatives and a lot of technical guidance. The two co-operatives still need significant assistance so that they can develop and become independent, especially the non-functioning one. This support can be in the form of finance or other assistance, such as providing the infrastructure and creating an environment where co-operatives can succeed, and in order to get co-operatives operational, bridging finance is needed (van der Walt, 2005).

From the information gathered from respondents, especially from the non-functional co-operative, it can be deduced that the level of assistance from government plays a significant role in the success of co-operatives. The functional co-operative has been able to continue because of involvement of government officials. The non-functional co-operative did not receive the same level of assistance.

The two co-operatives mainly depend on government and they feel that the assistance from government should be continuous. They have not really attempted to approach other organisations for support or funding. The non-functional co-operative indicated that they were considering approaching Limpopo Business Development Agency after they were advised by someone but they have not yet done that.

The ages of members has an effect on the development of the co-operatives. Most of the older members rely on younger ones for attendance of workshops and sharing of information. They see the co-operative as a way of augmenting their grants and they are mainly satisfied with what they get. The non-functional co-operative has eight members and the number has not increased since other members discontinued their membership. Pinto (2009) is of the opinion that rural cooperatives with very few members never achieve the business volume that is required to develop and

become an efficient tool for business development (Pinto, 2009). The two co-operatives need to be equipped with skills of how to run and manage co-operatives. There is a need for the co-operatives to be exposed to economic activities and markets which will enable them to increase the income and achieve their objectives.

Assuming that the factors that lead to the failure of co-operatives can be effectively overcome or mitigated, the study is indicative of the observation that co-operatives can be a sustainable way of achieving local economic development because from the functional co-operative one can conclude that when they function properly co-operatives offer members an opportunity to improve their conditions of life. They are empowered through the knowledge and skills that they acquire when working in the co-operatives. Through the income that is generated, members of co-operatives are able to contribute meaningfully in the upbringing of their children. They are able to provide for their basic needs and to pay for their education, which will in turn help in improving their well-being. Economic activity is also stimulated by co-operatives in local areas, where goods are produced and sold at prices which are affordable to the poor. Co-operatives should be empowered to produce good quality crops which will attract potential customers like big supermarkets. This will boost business and contribute to economic development and sustainability of co-operatives.

5.2 Recommendations

For co-operatives to succeed there should be a well-coordinated multidisciplinary approach which is comprised of the Department of Agriculture, Department of Social Development, Department of Economic Development, Environment and Tourism, the municipality and organisations such as the Limpopo Business Support Agency, and the Small Enterprise Development Agency. The government, funders and the business community can be more inclined to use the co-operative as an instrument for channelling aid to the small business sector. This will not only contribute to the survival of the small business sector, but can also position the small business sector in a way that it can contribute considerably to the economic development of a region or the country as a whole (van der Walt, 2005).

The co-operatives can seek information and assistance from the Department of Trade and Industry. The DTI (2009) indicates that financial provisions made available by their department and its agencies include:

- Start-up grants, financing up to 90% of co-operative start-up costs.
- A special projects fund that is available for projects, subject to strict criteria; and
- Funding to assist co-operatives with compliance, training and administration subject to a sound business plan.

The DTI (2009) also indicates that it has partnerships with other government agencies and organisations that also provide financial support to co-operatives.

These include:

- SAMAF, which provides affordable access to finance for small enterprises
- National Youth Development Agency (formerly known as Umsobomvu), which provides financial assistance to co-operatives whose membership comprise at least 25% youth and women-only co-operatives;
- The Enterprise Organisation, which provides support through the Co-operatives Incentive Scheme
- National Empowerment Fund, promotes and supports black business ventures financially;
- Land Bank, supports the development of co-operatives in the agricultural sector;
- Khula Enterprise Finance, provides financial guarantees to small- and medium-sized enterprises through banking and financial intermediaries;
- Mafisa, the Micro Agricultural Finance Institutions of South Africa drives and facilitates the development of financial services to develop small businesses in the agricultural sector.

These co-operatives can also approach organisations such as SEDA, which was established by government to provide non-financial support to achieve the desired impact on small enterprises and align government's service-delivery strategy coherently (South African Information, 2010).

In Limpopo there are organisations like Limpopo Business Development Agency (LIBSA), Limpopo LED, Department of Agriculture, Department of Health and Social Development and National Development Agency (NDA) which also support co-operatives. These co-operatives should not only wait for government funding, but they should also apply for loans. Loans will enable them to buy equipment such as tractors which they can all use.

The stakeholders mentioned above should assist with strengthening and capacitating the co-operatives. Access to information can let members have more income or profit. According to Chambo (2009), member education for empowerment and entrepreneurship needs a new and drastic review so that member education and training is directed to problem solving but at the same time the members are introduced to programs of bringing about change and trained becoming entrepreneurs on their own right.

The co-operatives should recruit young people who are energetic and encourage them to join these co-operatives so that they can bring new ideas. Young people can be trained and use the knowledge to expand the business. This will also help with reducing the rate of unemployment among the youth.

The co-operatives need to produce on high scale and be able to supply high value markets such as the Goseame fresh produce market to enable them to generate high income. Agricultural co-operatives need to give perspective to strategic alliances between large enterprises organized in co-operatives and smallholder family farmers (Pinto, 2009).

Agricultural technicians should assist and revive projects, help them with business plans to enable them to apply for finance. Extension officers should work closely with projects, and revitalise them.

Members need to record activities in their businesses so that they can track progress and identify problems when they arise. They need to record all the income and expenditure so that they can strive to improve. Members should consider the issue of

signing contracts with customers so that they can be sure of income base and strive to produce more.

Members of co-operatives should consider the issue of fostering relationships amongst themselves and of networking. This can help them to learn from each other and to discuss issues such as identifying potential customers and accessing markets.

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“Appendix A”

QUESTIONNAIRE ADMINISTERED TO MEMBERS OF FUNCTIONAL CO-OPERATIVE

TOPIC: AN ASSESSMENT OF THE IMPACT OF AGRICULTURAL
CO-OPERATIVES ON POVERTY ALLEVIATION IN POLOKWANE MUNICIPALITY IN
LIMPOPO PROVINCE

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BENDOR PARK

0713

This questionnaire is aimed at collecting information about the impact of agricultural co-operatives on poverty alleviation in Polokwane municipality. The aim is to assess the extent to which involvement in agricultural co-operatives contributes to the improvement of the quality of lives of members, and to assess whether agricultural co-operatives can help in creating sustainable livelihoods. The questionnaire will be administered by the researcher on members of cooperatives.

SECTION 1: Respondent's Demographic Information

1. Gender:

1. Male	
2. Female	

2. Marital Status:

1. Married	2. Single	3. Divorced	4. Separated	5. Widow	6. Cohabiting

3. Age:

1. >18 -27	2. >28- 37	3. >38 - 47	4. >48 - 57	5. >58 and above

4. Level of Education

1. Grade 0 – 6	2. Grade 7 -11±	3. Graduated Grade 12	4. Diploma	5. Degree	6. Post-graduate degree	7. Other (Specify)

SECTION 2: An assessment of the impact of agricultural co-operatives on poverty alleviation.

5. How long have you been a member of the co-operative?

1. > 1 year	2. >1 - 5yrs	3. >5 - 10yrs	4. >10 -15yrs	5. >15 - 20 yrs	6. >20 yrs and more

6. What kind of products does your co-operative produce?

7. Does your co-operative have contracts with any of your customers?

1. Yes	
2. No	

8. If the answer to question 7 is **YES** go to question 9. If the answer to question 7 is **NO** go to question 12.

9. Who are the customers that your co-operative has contracts with, how much do you supply to each and what are the prices realized?

1.Contract customer	2.Product supplied	3.Quantity supplied	4.Price per unit

10. Do you find this contract arrangement to be satisfactory?

1. Yes	
2. No	

11. Please explain your answer

12. If No to question 7, what are the challenges resulting from the lack of a contractual arrangement?

13. Would you like to have a contract arrangement with your customers?

1. Yes	
2. No	

14. If YES to question 13 what are the challenges that would be addressed by the contract arrangement?

15. If NO to question 13, why not?

16. Does your co-operative have regular customers that are supplied with products?

1. Yes	
2. No	

17. If the answer to question 16 is **YES** go to question 18, if your answer to question 16 is **NO** go to question 21.

18. Who are your regular customers and how much does your co-operative supply to each and what are the prices realized?

1.Regular customer	2.Product supplied	3.Quantity supplied	4.Price per unit

19. Do you find this arrangement to be satisfactory?

1. Yes	
2. No	

20. Please explain your answer.

21. If the answer to Question 16 is **NO** would you like to have an arrangement where you have regular customers?

1. Yes	
2. No	

22. If YES what are the challenges that would be addressed by the arrangement?

23. If NO, why not?

24. How does your co-operative advertise products?

25. Has involvement in the co-operative improved the quality of your life?

1. Strongly agree	2. Agree	3. Not sure	4. Disagree	5. Strongly disagree

26. Are you able to support your family through what you receive from the co-operative?

1. Yes	
2. No	

27. Explain:

28. Does your co-operative help to reduce poverty among persons in the community who are not members?

1. Yes	
2. No	

29. If yes, how does the co-operative help to reduce poverty in the local community?

30. If NO, what do you think the co-operative should do to reduce poverty in the community?

31. Do you receive a monthly income from the co-operative?

1. Yes	
2. No	

32. Since when did you start receiving income from this co-operative?

33. If you receive an income from the co-operative, how much is it?

1. R0,00 – R500	2. R501 – R1000	3. R1001 – R1500	4. R1501- R2000	5. R2000 and more

34. Please tick whichever is applicable from the following: The income that you receive from the co-operative enables you to:

1. _____ buy food for your family.
2. _____ pay for your children's school fees.
3. _____ buy electricity.
4. _____ pay for other household requirements.
5. _____ other (specify)

35. If you do not receive an income, what do you receive from the co-operative?

36. Did you receive any income before you joined this co-operative?

1. Yes	
2. No	

37. If your answer is yes, describe the source of the income.

38. Besides the income that you receive from the co-operative, is there any other income that you are receiving?

1. Yes	
2. No	

39. If yes, from what sources and how much do you receive from each source?

Source of income	Amount received from each source				
	1. R0,00 – R500	2. R501 – R1000	3. R1001 – R1500	4.R1501- R2000	5. R2000 and more

40. What type of skills have you gained since you joined the co-operative?

1.Administrative	2. Marketing	3. Bookkeeping	4. Other (Specify)

41. Would you say the skills that you have acquired have helped you to perform your work in the co-operative?

1. Yes	
2. No	

42. If your answer to the above question is yes, how have the skilled helped you?

43. If your answer is no, indicate why they have not helped you.

44. Indicate the type of skills that you still need to acquire in order to improve the quality of your work in the co-operative.

45. Would you say the skills that you have acquired have helped to improve your livelihood in general?

1. Yes	
2. No	

46. Please explain

47. What are you putting in place to ensure your co-operative does not collapse?

48. Has your co-operative received any assistance from government?

1. Yes	
2. No	

49. If your answer is yes, what type of assistance?

50. Please rate the level of government involvement in your co-operative, in terms of assistance.

1. Outstanding	2. Very Good	3. Adequate	4. Poor	5. Very Poor

51. Has your co-operative received assistance from other organizations or companies?

1. Yes	
2. No	

52. If your answer is yes, indicate the name of the company and the type of assistance that you have received.

53. What are the problems that you encounter as a co-operative?

54. In your opinion, what should be done to address these problems?

55. What advice can you give to people who want to start co-operatives in your community?

QUESTIONNAIRE ADMINISTERED TO MEMBERS OF NON-FUNCTIONAL CO-OPERATIVE

TOPIC: AN ASSESSMENT OF THE IMPACT OF AGRICULTURAL CO-OPERATIVES ON POVERTY ALLEVIATION IN POLOKWANE MUNICIPALITY IN LIMPOPO PROVINCE

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This questionnaire is aimed at collecting information about the impact of agricultural co-operatives on poverty alleviation in Polokwane municipality. The aim is to assess the extent to which involvement in agricultural co-operatives contributes to the improvement of the quality of lives of members, and to assess whether agricultural co-operatives can help in creating sustainable livelihoods. The questionnaire will be administered by the researcher on members of cooperatives.

SECTION 1: Respondent's Demographic Information

1. Gender:

1. Male	
2. Female	

2. Marital Status:

1. Married	2. Single	3. Divorced	4. Separated	5. Widow	6. Cohabiting

3. Ages of members:

1. >18 -28	2. >28- 38	3. >38 - 48	4. >48 - 58	5. >58 and above

4. Level of Education

1. Grade 0 – 6	2. Grade 7 -11±	3. Graduated Grade 12	4. Diploma	5. Degree	6. Post-graduate degree	7. Other (Specify)

SECTION 2: An assessment of the impact of agricultural co-operatives on poverty alleviation.

5. When was your co-operative formed?

6. How long have you been a member of the co-operative?

1. > 1 year	2. >1 - 5yrs	3. >5 - 10yrs	4. >10 -15yrs	5. >15 - 20 yrs	6. >20 yrs and more

7. What led to the formation of the co-operative?

8. How many members did the co-operative have when you started?

9. Did your co-operative ever produce products/crops?

1. Yes	
2. No	

10. If the answer to question 9 is yes, what kind of products/crops did your co-operative produce?

11. If the answer to question 9 is No, what does your co-operative intend to produce?

12. Did you ever receive income from the co-operative?

1. Yes	
2. No	

13. If you have received income from the co-operative, how much did you receive?

14. What are the problems that you experience as a co-operative?

15. When did you start to realise that your co-operative was experiencing these problems?

16. What have you tried to do to address the problems?

17. What plans are you putting in place to ensure that you do not experience the same problems in future?

18. Who is designing the plans?

19. What are members keeping themselves busy with at the moment?

20. Did you receive any training since you formed the co-operative?

1. Yes	
2. No	

21. If your answer to question 18 is yes, please indicate the type of training that you have received.

22. Did you receive any assistance from government or any other organisation?

1. Yes	
2. No	

Please explain:

QUESTIONNAIRE ADMINISTERED TO GOVERNMENT OFFICIALS INVOLVED IN CO-OPERATIVES

TOPIC: AN ASSESSMENT OF THE IMPACT OF AGRICULTURAL CO-OPERATIVES ON POVERTY ALLEVIATION IN POLOKWANE MUNICIPALITY IN LIMPOPO PROVINCE

NAME OF RESEARCHER: TRYPHINAH MAAKE

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BENDOR PARK

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Instructions:

1. To be completed by government officials.
2. Please tick appropriate box.
3. Please answer all the questions.
4. Please return to the researcher after completion.

This questionnaire is aimed at collecting information about the impact of agricultural co-operatives on poverty alleviation in Polokwane municipality. The aim is to assess the extent to which involvement in agricultural co-operatives contributes to the improvement of the quality of lives of members, and to assess whether agricultural co-operatives can help in creating sustainable livelihoods.

1. How often do you visit agricultural co-operatives in your area?

1. Never	2. Weekly	3. Fortnightly	4. Monthly	5. Bi-monthly	6. Other (specify)

2. What is the type of assistance that you offer to the agricultural co-operatives?

3. According to you, what are the challenges that are encountered by these co-operatives?

4. What advice can you give these co-operatives to address these challenges?

5. What type of resources are needed to assist these co-operatives.

6. What is your plan regarding the projects that are not functional?

7. Do you think agricultural co-operatives can reduce poverty?

1. Yes	
2. No	

8. Please explain your answer

9. Are there cases where agricultural co-operatives have reduced poverty, in South Africa or elsewhere?

1. South Africa	
2. Elsewhere	

10. What were the conditions for success?

11. Can this be duplicated in South Africa or Limpopo?

1. Yes	
2. No	

12. Please explain your answer
