
**ASSESSING THE PERFORMANCE OF SMALLHOLDER FARMER
COOPERATIVES – A MEMBER’S PERSPECTIVE. A CASE STUDY OF
MOGALAKWENA MUNICIPALITY (LIMPOPO PROVINCE)**

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DECLARATION

I, Richard Masango, hereby declare that these work submitted for the degree of Magister Agriculturae in the Faculty of Natural and Agricultural Science, Department of Agricultural Economics at the University of the Free State, is my own independent work, and has not previously been submitted by me to any other university. I furthermore cede copyright of the thesis in favour of the University of the Free State.

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June 2015

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“You can be sure that whoever gives even a drink of cold water to one of the least of these my flowers, will certainly receive a reward”. Matthews 11:42.

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LIST OF ACRONYMS AND ABBREVIATIONS

CIPC- Companies and Intellectual Property Commission
CIPRO-Companies of Intellectual Property Registration
CIS- Cooperative Incentives Scheme
DAFF- Department of Agriculture Forestry and Fishery
EVI- Extra Value Index
EURO-European Monetary
FORCE- Farmer Organisations Reviewing Capacities and Entrepreneurship
ICA- International Cooperative Alliance
LED- Local Economic Development
LDARD- Limpopo Department of Agriculture and Rural Development
MSME-Micro- Small and Medium Enterprise
NGO's- Non-Governmental Organisations
ROE- Return on equity
R.S.A- Republic of South Africa
THE Dti- The Department of Trade and Industry
UN- United Nations

TABLE OF CONTENTS

TITLE PAGE	i.
DECLARATION	ii.
ACKWOLEDGMENT	iii.
LIST OF ACRONYMES AND ABBREVIATIONS	iv.
TABLE OF CONTENTS	v.
LIST OF TABLES	vi.
LIST OF FIGURES	vi.
ABSTRACT	vii.

TABLE OF CONTENTS

		Page
Chapter 1	INTRODUCTION	1
1.1	Background and Motivation	1
1.2	Problem Statement	2
1.3	Aim and Objectives of the Study	4
1.4	Scope of the Study	5
Chapter 2	LITERATURE REVIEW	6
2.1	Introduction	6
2.2	Theory of Collective Action	6
	2.2.1. Rationale of Collective Action	7
	2.2.2. Formal models of Collective Action	10
	2.2.2.1. The Single-Actor Model	10
	2.2.2.2. Interdependent Aggregation	10
	2.2.2.3. Collective decision of Individuals	11
	2.2.2.4. Dynamic Interaction among Collective Actions and their opponents	11
2.3	Cooperative as a vehicle for Collective Action	13
	2.3.1. Theory of cooperatives	13
	2.3.2. Cooperative values	14
	2.3.3. Cooperative principles	14
	2.3.3.1. Voluntary and Open Membership	14
	2.3.3.2. Democratic Members Control	15
	2.3.3.3. Member Economic Participation	15
	2.3.3.4. Autonomy and Independence	15

	2.3.3.5. Education Training and Information	15
	2.3.3.6. Cooperation among Cooperatives	15
	2.3.3.7. Concern for the Community	16
2.4	Experience of cooperative in Collective Action	16
	2.4.1. International experience	17
	2.4.1.1.The role of Cooperative	17
	2.4.2. South African experience	18
	2.4.2.1.Challenges affecting the performance of Cooperatives in South Africa	19
	2.4.2.2.Cooperative management challenges	20
2.5	Approaches to analyse the performance of agricultural cooperatives	24
2.6	Approaches to analyse the members' satisfaction in smallholder cooperatives	27
2.7	Conclusion	30
Chapter 3	DATA AND METHODOLOGY	34
3.1	Method of data collection	34
Chapter 4	RESULTS	42
4.1	Introduction	42
4.2	Perception of members of Mapela Agricultural cooperative	52
	4.2.1(a). The overall score of eight performance areas	53
	4.2.1(b). The overall score of eight performance areas of Managers	55
	4.2.2 Membership base	56
	4.2.3 Governance, leadership and internal democracy	59
	4.2.4 Management of human and financial resources	62
	4.2.5 Collaboration and alliance	66
	4.2.6 Service provision to members	68

	4.2.7 Production and production risk	71
	4.2.8 Relationship between farmers and buyers	73
	4.2.9 Default	76
Chapter 5	CONCLUSION AND RECOMMENDATIONS	80
5.1	Conclusion	80
5.2	Recommendations	85
	5.2.1 Recommendations to Mapela Agricultural cooperative	85
	5.2.2 Recommendations for further research	89
REFERENCES		90
APPENDICES		100
A	Structured questionnaire	100
B	Mogalakwena Agricultural Collection action list	105

LIST OF TABLES

Table.3.1.1. Names of Collective Action Interviewed.	37
Table.4.2.1. Characteristics of Mapela Agricultural cooperative.	52

LIST OF FIGURES

Figure 1: Overall scores of the perception of members of Koputjanag Close Cooperation.	43
Figure 2: Overall scores of the perception of members of Hlahlolanang Agricultural cooperative.	44
Figure 3: Overall scores of the perception of members of Agang Rebone Agricultural cooperative.	45
Figure 4: Overall scores of the perception of members of Masipa Agricultural cooperative.	46
Figure 5: Overall scores of the perception of members of Malokong Agricultural cooperative.	47
Figure 6: Overall scores of the perception of members of Bakone ba Kopane Goat cooperative.	48
Figure 7: Overall scores of the perception of members of Mokaba Agricultural cooperative.	49

Figure 8: Overall scores of the perception of members of Mapela Agricultural cooperative.	50
Figure 9: The overall performance of eight assessed Collective actions.	51
Figure 10(a): Overall scores of the perception of members of Mapela Agricultural cooperative.	53
Figure 10(b): Overall scores of the perception of Managers of Mapela Agricultural cooperative.	55
Figure 11: Membership base of Mapela Agricultural cooperative.	56
Figure 12: Governance, leadership and internal democracy of Mapela Agricultural cooperative.	59
Figure 13: Management of human and financial resource of Mapela Agricultural cooperative.	62
Figure 14: Collaboration and alliance of Mapela Agricultural cooperative.	66
Figure 15: Service provision to members of Mapela Agricultural cooperative.	68
Figure 16: Production and Production risk of Mapela Agricultural cooperative.	71
Figure 17: Relationship between farmers and buyers of Mapela Agricultural cooperative.	73
Figure 18: Default of Mapela Agricultural cooperative.	76

The main objective of the research was to assess the performance of agricultural cooperative from the members' perspective, using the tool model that will assist my research with the cooperative internal and external factors affecting the performance of the smallholder agricultural cooperative. The state and other stakeholders considered cooperative as the strategy that will stimulate economic development and reduce poverty, which was supported also by other policy documents like (NDP) National Development Commission and (CRDP) Comprehensive Rural Development Programme.

Internationally evidence shows that cooperative are among institutions that can help farmers to address numerous challenges that include economies of scale and market participation. Nationally, some studies were done by other researchers on cooperative performance and the results indicate that accountability and lack of transparency (poor governance) were the cause of poor performance of the smallholder agricultural cooperatives. Other researchers have discovered that stringent marketing requirements and limited provision of inputs are the cause of smallholder cooperative poor performance. Various approaches were done to address the challenges which include the performance of agricultural cooperative and the approach to analyse the member's satisfaction in smallholder agricultural cooperatives.

Smallholder cooperatives reputation is not convincing or with poor return on investment especially in South Africa, which necessitate studies to explore the level of member's satisfaction of the smallholder agricultural cooperative as expected from the board of directors.

The questionnaire was developed to assist in the research and a sample of eight collective actions in Mogalakwena Municipality (Limpopo Province) involved in small livestock; vegetable production; grain crops and mixed farming were interviewed. Questionnaire had ratings from 1 to 5. The questions were translated to farmer's home language and given an opportunity to respond on questionnaire by crossing the relevant score. The questionnaire used was based on the FORCE (Farmer Organisation Reviewing Capacity and Entrepreneur) tool model and the areas of study include: the membership base; governance and internal democracy; management of human and financial resources; collaboration and alliance; service provision to members; production and production risk, and the relationship between farmers and buyers and default with supporting statements per area of study or performance area.

The results on members' perception of the Mapela smallholder agricultural cooperative were analysed from the cooperative members and the board of directors/management. The results of the eight performance areas indicate that governance, collaboration and alliance, Production and production risk, relationship among farmers and buyers and default scored above the average and membership, management of human and financial resources and service provision to members scored below the average.

Despite that government have spent resources to develop cooperatives and there was no research conducted before in Mogalakwena that focus internal factors affecting the performance of the cooperative. The performances of the cooperative in all the assessed areas have scored below 50%, which means unhealthy business feedback for cooperative members and members of the cooperative not enjoying the benefits smallholder collective actions.

CHAPTER 1
INTRODUCTION

1.1. Background and Motivation

Smallholder agriculture is expected to be a major contributor to rural poverty alleviation in South Africa (Water Research Commission, 2007; Letsoalo and Van Averbek, 2005). According to the World Bank, supporting smallholder farming is the most effective way to stimulate economic development and reduce poverty (Unilever Company) and features well in government policy documents as a strategy to reduce rural poverty (National Planning Commission, 2011; Comprehensive Rural Development Programme, 2010). The nature of smallholder farming is such that these face major challenges to compete in a dynamic and very competitive market environment (Jordaan and Grove, 2012).

Experience gained particularly in East Asia and East Africa indicates that cooperatives are among the institutional arrangements that can help smallholder farmers overcome numerous constraints they face. Cooperatives have the potential to improve productivity in the smallholder sector as well as enhance market participation by farmers (Birtal, Joshi and Gulati, 2005). Some studies have suggested that collective action among smallholder farmers can enable them to attain economies of scale and hence improve their participation in markets (Okello, 2005).

Although cooperatives have had an unhappy history, especially in Africa, evidence indicates that they have the potential of linking farmers to markets by reducing transaction costs (Develtere, Pollet and Wanyama, 2008); (Ortmann and King, 2007). The government (Department of Trade and Industry) also introduced an incentive scheme to motivate smallholder farmers to organise themselves into farmer cooperatives. This is in line with developments in other developing countries (Chibanda, Ortmann and Lyne, 2009).

The total number of cooperatives registered in South Africa in 1995, 2005 and 2010 increased from 1 444, 4 210 to 43 062 respectively (The Dti, 2012). Limpopo province has 127 agricultural cooperatives registered in CODAS (Cooperative Data Analysis System). This province has the cooperatives (42) funded with R36 million. A total of 488 cooperatives have benefited from the Cooperative Incentive Scheme (CIS), (R92 523 million) and 230 Agricultural cooperatives benefited, constituting 47% of the budget; R25 million was spent in Limpopo province (The Dti, 2012). Thus the South African government has invested substantial amounts of money in smallholder farmer cooperatives.

1.2. Problem Statement

Despite government spending substantial amounts of money and training programmes on smallholder farmer cooperatives in South Africa through incentives and support services, the performance of such cooperatives remains poor. The investment in smallholder farmer cooperatives thus proves not to generate the expected returns for the smallholder farmer members and stakeholders.

The topic of the poor performance of smallholder farmer cooperatives has received some attention by other researchers in the past years. Challenges that

were identified in such research include, among others, the lack of good practice and ethics of managing agricultural cooperatives by the board committee that often carries out its functions with little or no respect for accountability or transparency. Misuse of authority and group finance by the leaders minimises trust and is alleged to be a reason for the ineffectiveness or poor performance of agricultural cooperatives (Norbu, 2008). Pre-structural adjustment cooperatives in developing and centrally planned economies have proven to be largely ineffective and unsustainable (Deininger, 1995; Swinnen and Maerstens, 2007). Review articles on different agricultural cooperatives in developing countries (Barham, Chitemi, 2009; Markelova, Meinzen-Dick, Hellin, Dohrn, 2009) conclude that the success of cooperatives depends on the characteristics of the group as well as on the type of products and markets. It has been suggested that cooperatives are more successful in high-value products and less in the grains/legumes market (Bernard, Spielman, 2009).

Other researchers have focused on institutional challenges when assessing the performance of smallholder farmer cooperatives (Narrood, Devesh, OKello, Vendano, Rich and Thorat, 2009). Studies by several organisations have found mixed performance of producer organisations in improving smallholder farmers' access to markets (Obare, Shiferaw and Muricho, 2006). Recommendations by researchers include changing the institutional environment without considering the members' perception of the functioning of their agricultural cooperatives.

Thus performance is measured mainly from the perspective of agents external to the cooperatives themselves. The element that is not addressed in most literature is the degree to which members are satisfied with the service they receive from their organisation – hence their need for the management of the cooperative to

change to better meet their expectations. Currently there is no information on the degree to which the members of smallholder cooperatives are satisfied with the functioning and management of their cooperative. The research questions that will give evidence to the study is the Membership base; Governance, leadership and internal democracy; Management of human and financial resources; Collaboration and alliances; Service provision to members; Production and production risk; Relationship between farmers and buyers and Default.

1.3. Aim and Objectives of the Study

The aim of this research is to explore the level of satisfaction of members of a smallholder farmer cooperative in terms of the degree to which the cooperative management delivers on its mandate to serve its members. The areas of study investigated include the membership base; governance and internal democracy; management of human and financial resources; collaboration and alliance; service provision to members; production and production risk, and the relationship between farmers and buyers, as well as default. The explicit research question that will be tested is the “Management of human and financial resources” by comparing the results two different collective action (Mapela and Koputjanang). The criteria for selecting the two is that Mapela Agricultural cooperative performed the lowest in terms of scores in all assessment areas and Koputjanang Close Cooperation performed the best in terms of scores in all assessment areas. Secondly, Mapela Agricultural Cooperative is legally registered as cooperative and Koputjanang is legally registered as Close cooperation.

The results of the analysis should help cooperative members understand the status quo of their cooperative, and further understand the deliverables or capacity of the board of directors as mandated by the democratic decision made by smallholder cooperatives considering the limited resources that they have acquired, either from stakeholders or their own contribution.

Secondly, the research results will also guide the developmental programmes (NDP, The Dti, etc.) on the best practice that can be adopted to enhance the performance of the cooperative in South Africa. Thirdly, the results will uproot cooperatives grey areas that need to be corrected to remedy the non-satisfactory performance of the cooperative.

1.4. Scope of the Study

The research information will be collected from a sample of eight collective actions in Mogalakwena Municipality (Limpopo province) through designed questioners. To achieve the best feedback from the study, chapter two will focus on the literature review, investigating what was done by other researchers different from the current study; chapter three will address the data and Methodology, which entail what kind of information will be collected from the cooperatives and how will the information be analysed, chapter four will be the interpretation of the results per assessment area or question and chapter five will give the conclusion of the findings and recommendations for the future development.

CHAPTER 2
LITERATURE REVIEW

2.1. Introduction

This chapter presents the literature review that looks into the history of Collective Action, its benefits and challenges. The common example is the smallholder agricultural cooperative usually considered by the government/stakeholders and most project members as the vehicle for enterprise and economic development. The chapter also outlines the approaches used by various authors to analyse the performance of agricultural cooperatives, its relevancy to the problem statement and the approaches used to analyse the members' satisfaction in smallholder agricultural cooperatives.

2.2. Theory of Collective Action

Collective Action is defined as “Behaviour or actions of a group working together towards a common goal”. Collective action is meant to address social problems or dilemmas (Ostrom, 1990). It is the attempt by groups of individuals to achieve public goods; the groups are characterised by numerous challenges that tend to be inefficient (Olson, 1965) while Ostrom argues that effective collective action leads to the realisation of individual success and relevant to the problem statement of cooperative board of directors performing according to the given mandates of satisfying cooperative members. There is no difference in group size and the only difference is in the characteristics of the members.

Social dilemmas refer to the situation when individuals in interdependent situations face a choice that satisfies short-term self-interest, and public good dilemmas are those that benefit the majority after the provision of public goods, e.g. control of pollution (Ostrom, 1990).

Collective targets/benefits include public goods that are inclusive and exclude public goods. Inclusive public goods refer to the non-market environment where provision of the good increases when the membership increases and exclusive public goods refer to a market environment where the reduction in membership leads to fixed goods benefits (Olson, 1965).

2.2.1. Rationale for Collective Action

People living in extreme poverty in rural areas depend on agriculture-related activities for their living (Kispal-Vitai, Regnard, Koevesi and Claude-Andre, 2012). Organisations are beneficial where a group of individuals have a common interest in attaining the specific objective. Improvement of the ability of poor smallholder farmers to participate in the market is the serious challenge in most developing countries (Simelane, 2011). Evidence suggests that the proportion of farmers engaged in subsistence agriculture is still high because of high transaction costs that inhibit them from participating in the market (Bernard, Gabre-Madhin and Taffesse, 2008).

The current challenges faced by smallholder farmers include the following: the partial financial injection in the business; lower production levels not meeting

market demands and an increase in export demand of agricultural products due to the rapid growth in emerging countries (China and India) and the migration of competent/professionals from rural to urban areas (Kispal-Vitai *et al.*, 2012).

Other investigations into the red tape of smallholder farmer participation in the mainstream economy (commercial agri-food chains) include stringent requirements by agricultural food chains in terms of consistency of supply and good quality produce (Louw, Jordaan, Ndanga and Kirsten, 2008); the limited space of operation that limits quantity of production (Jordaan, Grove and Backeberg, 2014); limited access to credit (Khaile, 2012; Baloyi, 2010; Van der Heijden, 2010, Jordaan *et al.*, 2014); limited trust among agricultural processing chains (Van der Heijden, 2010; Randela, Alemu and Groenewald, 2008, and Jordaan *et al.*, 2014) and lack of support services (Van der Heijden, 2010 and Jordaan *et al.*, 2014).

These researchers recommend solving the above and similar problems from the farmers' and from the government's perspective. However, there has been little change in the two sectors (farmers and government), despite the intervention of various researchers with various solutions (Jordaan *et al.*, 2014). However, the above stated challenge sound more external than internal and was considered for the study since they contribute to the performance of the smallholder cooperatives.

Collective action serves as the basis to solve the challenges of finance, capital, market and access to better knowledge. Cooperative advantage drives the cultural values in collective action that influences decision-making in the business (Kispal-Vitai *et al.*, 2012). The formation of the cooperative is seemed

to be the solution to the problem statement, since it addresses external bottlenecks that help internal affairs of the cooperative to run smooth.

The role played by collective action is evident and more significant in the agricultural sector than any other sector. This is because, as an area of productive activity, the agricultural sector has some sector-specific attributes that distinguish it from other sectors (Valentinov, 2007).

The developmental programmes in developing countries are designed to develop smallholder farmers who are unable to do so themselves, especially at the initial stage (Simelane, 2011). Consequently the performance of the collective action is held in contempt by some and members perceive group plans as not adding value to their livelihood because of the minimum growth in the long term.

Because of these challenges collective action has been viewed as appropriate in reaching the poor smallholder (Simelane, 2011). Smallholder groups and farmer organisations have been suggested as entities for institutional innovation that can contribute to the development of production and marketing activities in the smallholder sector (Abdulai and Birachi, 2008) by enhancing market participation through collective action. The members' interest and planning are guided by the different models of collective action that are addressed briefly.

2.2.2. Formal models of Collective Action

The threshold model of collective action indicates how a participant triggers the interference of the planned objectives. The individual choice in the collective action serves as the catalyst since it can facilitate the achievement of the objective benefiting the other members at no cost (Macy, 1991). Relevant to the theme, member's characteristics also play key role in the better performance of the collective action.

There are four different models of collective action that include the single actor model; interdependent aggregation; collective decision of individuals; dynamic interaction among collective actors and their opponents (Oliver, 1993).

2.2.2.1. The Single-Actor Model

The Single Actor Model treats the group behaviour as a given; the model is risky when the planned activities/individual choice does not facilitate the attainment of the majority goals or objectives.

2.2.2.2. Interdependent Aggregation

The Interdependent Aggregation Model has shown growth compared to other models since the collective objectives are interdependent on the positive individual choice. The fragmented individual choices can also cause the delay in achieving the collective target because they do not serve as building blocks.

2.2.2.3. Collective decision of individuals

The difference of individual choice serves as the baseline for collective action to start revising interest. Members tend to be collaborative and come up with mutual joint interests that result in the joint plan of action.

2.2.2.4. Dynamic Interaction among Collective Actors and their opponents

Individuals with a common understanding of their plan of action or same interests tend to be firm when outsiders try to intervene or derail their plan of action.

For the complex interaction of collective action and the reduction of technical challenges more attention on technical issues, experimental design and response surface analysis is required (Oliver, 1993). There are different types of legal entity in collective action that include the following: Partnership; Companies; Trust; NGOs and Cooperatives.

- Partnership

A partnership can be owned by two to twenty people and the Partnership Act of 2002 endorses some forms of partnership. Partnership members share responsibilities. Partnerships have a written contract witnessed by lawyers and explain the percentage dividends and losses.

- Companies

In accordance with the Companies Act of 1930, a company is owned by shareholders responsible for the appointment of the director. Decisions are

taken by the chief executive and a special manager can run the company on behalf of the board.

- Trust

A trust is the relationship in which an entity or a person holds a legal title of certain property, owned or governed by the terms of the written trust agreement and local law. The trustee acts as the driver of the trust and a trust is attractive to non-residents since there is no estate duty, capital gains, tax etc. A trust is used mostly to protect assets from risk-associated litigation.

- NGO (Non-Governmental Organisation)

The NGO has a collaborative relationship with the government and other associations. The objectives of the NGO include agriculture and rural development, socio-economic development and women and youth development activities (Bingen and Mpyisi, 2001). An NGO is used to set up companies or a trust.

- Cooperatives

A cooperative can be formed by a minimum of five people and an agricultural cooperative indicates a cooperative that produces, processes or sells agricultural products and supplies agricultural input and services to its members. It is highly dependent on the values of self-help; self-responsibility; democratic and cooperative principles that include voluntary membership; democratic member participation, training, etc. (Co-operative Act, 2005). The mentioned values are found to be contrary to the status of the agricultural cooperatives, since they are highly dependent on stakeholders for any development.

However, all the above mentioned entities serve the purpose of business compliance and the members/individual usually decides which legal entity to consider, depending on the benefits. In some cases individuals'/groups' choice of legal entity is dictated by stakeholders promising to invest in the smallholders business. For the purpose of this study the focus is on the cooperative business as a vehicle for collective action.

2.3. Cooperative as a vehicle for collective action

Cooperative development is recognised by most stakeholders as an entry door to assist the majority of the enterprises or projects. These networks have emerged as a response to the challenges and high demands derived from hyper-competitiveness present in current globalised markets. In fact, many authors agree in stating that the networks constitute an organisational phenomenon in itself, which in turn is formed by one or several models of alliance among traditional enterprises (Michalus, Hernandez, Hernandez, Suarez and Sarache, 2011).

2.3.1. Theory of Cooperatives

Cooperatives are by their very nature enterprises that balance or integrate economic, environmental and social imperatives, which at the same time address members and member expectations (International Co-operative Alliance, 1995). An agricultural cooperative is a cooperative that produces, processes or sells agricultural products and supplies agricultural inputs and services to its members (RSA, 2005). The research title seems to be less

convinced with the service of the cooperatives and the study will find the obstacles delaying cooperative responsibilities or services.

2.3.2. Cooperative values

Cooperatives are characterised by the values of self-help, self-responsibility, democracy, equality and solidarity. Traditionally co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The values of democratically controlled cooperatives tend to be singularly unstable, considering the transformation of the economy, where market segmentation/requirements require flexibility in decision-making (Bouckova, 2002).

The ancient values of cooperatives need intervention, considering the open membership, member share, level of liability, possibility to invite external donors/investors and division of yields.

2.3.3. Cooperative principles

Cooperatives serve as institutional frameworks that members/stakeholders in the private and public sector can use to control their enterprises based on the following seven principles: Voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives and concern for the community (ICA, 1995).

2.3.3.1. Voluntary and Open Membership

Cooperative is the example of collective action and membership is voluntary, open to everybody, able to utilise their services and able to take responsibility of the cooperative assets.

2.3.3.2. Democratic Member Control

A cooperative is a democratic collective action that is controlled by responsible members who take rational decisions to develop the cooperative.

2.3.3.3. Member Economic Participation

Collective action members must have equal contribution and control the cooperative democratically. The cooperative capital is usually the joined owned property of the cooperative.

2.3.3.4. Autonomy and Independence

Cooperative management must be governed by the cooperative internal constitution and be able to sustain itself on its own.

2.3.3.5. Education, Training and Information

Boards of directors and ordinary members need continuous capacity building for effective contribution to the development of their cooperatives.

2.3.3.6. Co-operation among Cooperatives

Cooperative members have effective ties within the cooperative and strengthen the cooperative movement as collective action in local, national, regional and international structures.

2.3.3.7. Concern for the Community

Most cooperatives are managed and controlled for the sustainable development and benefit of their community, through joint decision-making by their members.

However, the implementation of the principles varies from one cooperative to another, due to new models that are evolving and new challenges faced by smallholder cooperatives, thus declining in the adoption/use of the principles. More smallholder members exist as shareholders rather than shareowners (Bouckova, 2002). The statement tends to relax the member ownership of the collective action, eventually leading to less interest in the success of the business.

Other countries are adopting the New Generation Cooperative as vertical integration, giving smallholder cooperative an opportunity to sell processed products rather than raw products (Porter, 1985).

2.4. Experience of Cooperatives in Collective Action

Cooperatives play an important part in the world of economic growth through fairness, equity and justice to the market place (The Dti, 2012). Various stakeholders in South Africa have developed comprehensive baseline studies of cooperatives, which include an international benchmarking and effective cooperative development strategy (best practices and international lessons) (The Dti, 2012).

2.4.1. International experience

During the international year of cooperatives in 2012 the United Nations acknowledged that cooperatives are formed as a member-owned and democratically controlled enterprise that can contribute to poverty reduction and socio-economic development (The report of the Secretary General of the UN General Assembly, 2009). The important role played by micro-enterprises, small and medium enterprises (MSME) is well known for invigorating and enhancing the performance of economics as generators of employment and the gross internal product in the so-called developed countries as well as developing countries. These enterprises show even more flexibility than large enterprises for modifying their activities and adapting to new market demands (Mora, 2013).

Micro-, Small and Medium Enterprises (MSME) in Latin America and the Caribbean represent, according to regional statistics, 50% of the total existing enterprise and generate 60% of the employment (Berry, 2001). The trends accentuate the fact that the strategy used internationally can be copied to other countries for enterprise development and job creation.

2.4.1.1. The role of cooperatives

Many people have regarded business as a problem, but have gradually discovered that cooperatives as business are run by their members, just like trade unions. Smallholder agricultural cooperatives are used as a tool to improve their livelihood and market in both the developing and under-developed world (Sinja, Njoroge, Mbaya, Magara, Mwangi, Baltenweck,

Romney and Omore, 2006) while the International Co-operative Alliance supports the cooperative movement by stabilising the regional economic cycles leading to poverty reduction (ICA, Nov 2012).

In recent years the cooperative has been used as a tool to achieve the target of the millennium goals through the following:

- Income generation through job creation.
- Secure livelihoods for members by food provision.
- Key to feeding the world.
- Reducing global poverty and economic injustice (World Bank, 2008:1).

2.4.2. South Africa's experience with cooperatives

Most cooperatives did not adhere to international cooperative principles (ICA, 1995). The 1922, 1937 and 1981 cooperative legislation did not emphasise the importance of cooperative principles (The Dti, 2012). The successful cooperatives in South Africa were achieved only through excess government support like the Land Bank financing, state subsidies and tax exemption (The Dti, 2012).

During the growth and development summit of 2003 it was agreed to prioritise cooperative developments as one of the drivers of economic development in the country. In 2005 a total of 2 766 new black-dominated cooperatives were registered, which resemble 66% growth from 1 444 to 4 210 and a later drop to 3 990 due to merging, dissolution and convergence into private firms (The Dti, 2012).

The promulgation of the new Co-operative Act, No 14 of 2005 diminished registration to 19 550 new cooperatives registered with the Companies and Intellectual Property Commission in various sectors. The provincial registration is headed by KwaZulu Natal (26%), Gauteng (20%), Eastern Cape (16%), Limpopo (12%), Mpumalanga (8%), North West (7%), Western Cape (5%), Free State (4%) and Northern Cape (2%). The sum of cooperatives registered was 43 062 in March 2009 (Companies and Intellectual Property Commission, Register, 1922-2011), which signifies the growth in the number of cooperative registrations compared to the 1 444 registered cooperatives in 1995 (The Dti, 2012).

2.4.2.1. Challenges affecting the performance of cooperative in

South Africa

Collective action in general faces three main challenges that include member addressing personal needs than member's needs; secondly, sharing common interest with members of conflicting interest tends to be the major problem; and lastly, the cost of running the collective action is often expensive (Olson, 1965). Group members with different interests highly disadvantage the attainment of

the target. An individual has less influence in the organisation and benefits are compulsory and equal, even though individual contribution is not equal. The rate of conflict is very high in collective action because of individuals having different interests (Olson, 1965). Various stakeholders' intervention in cooperative development can be validated and requires continuous support to address the following existing challenges.

Agricultural cooperatives around the world are facing major structural challenges as they respond to a more industrialised agricultural, global and freer trade. Cooperatives are responding to these changes by merging, by finding new ways of raising capital and by developing new organisational forms such as the New Generation cooperatives. One of the critically important issues cooperatives face as they undergo this transformation is member commitment (Fulton, 1999).

2.4.2.2. Cooperative management challenges

Performances of cooperatives are affected by the management practices that differ, depending on the enterprise and the management level of the cooperative. The primary cooperatives that struggle most are the beginners or the new collective action in the business. When focusing on cooperatives as legal entity only, other challenges that are well documented include the poor governance and lack of managerial skills (Nkhoma, 2011). The identified challenges are not limited and include the following: poor management and technical skill; limited trust among members; not adhering to co-operative principles; marketing challenges; poor networking or economic value chain activities and outrageous marketing requirements (The Dti, 2012).

✓ **Poor management and technical skill**

The management level in a cooperative is very low since the literacy level tends to be lower than Grade 12. The financial management background of the board of directors is a prerequisite for the success of co-operators. Most cooperatives are distressed due to the management practice on funded cooperatives; the reason includes lack of ownership, lack of cash/capital contribution and inappropriate systems to manage finance (The Dti, 2012).

The low level of literacy in agricultural cooperatives is the main cause of weak management, poor governance and inability to run their enterprises effectively on sound business principles (DAFF, 2012).

✓ **Limited trust among members**

Challenges of collective action (Horizon problem) tend to reduce trust between members since some transaction costs are not reported to members; cultural, social, religious and other conventions tend to affect the performance of the cooperative. The view that groups act to serve their interest presumably is based on the assumption that the individuals in groups act out of self-interest and when an individual in a group nobly disregards their personal welfare, it is not very likely that collectively they would seek some selfish common or group objectives (Olson, 1965).

✓ **Not adhering to cooperative principles**

Most of the smallholder cooperatives register for the compliance of the business requirements and fail to comply or disclose the financial status of the

cooperative. The continuous training on cooperatives principles remains the limiting factor for the above problem.

Other constraints identified include partial funding/financing for co-operatives because of low assets base/security, a low education level of members that inhibits the adoption of new technology, inability of co-operatives to solve the problems that farmers face, such as a lack of providing inputs and marketing the farmer produce (Simelane, 2011).

Mohamed (2004) discovered that the majority constraints of cooperatives involve a lack of access to finance, lack of trust that results in poor quality of services provided, a lack of professional management, misappropriation of funds, low commitment and participation by members, a lack of timely market information and the high price of agricultural inputs.

✓ **Marketing Challenges**

Marketing is the determinant of the destination of all inputs, natural resources, specific competencies, budget etc. to produce a certain output or product, and thus playing a critical role for the success of any other business. The poor networking and exorbitant market requirements have been found to be the marketing challenges (The Dti, 2012).

✓ **Poor networking or economic value chain activities**

Collective action business ties include technical, managerial, legal, administration and financial competency. They play a critical part in the success

of the cooperative. Cooperative relationships, namely input supplier cooperative, financial co-operative and producer cooperative are not strengthened and result in weaker or no value chain. The cooperative enterprise is dependent since it can guide the producer cooperative on what the consumer requires and what the input supplier must provide and vice versa (Dti, 2012).

✓ **Extreme marketing requirements**

The challenge sound more external, but due to its impact on the members point of view, I have deem it fit to explain that Global trade is increasing the marketing conditions/requirements and most smallholder cooperatives tend to bypass the marketing requirements. The examples include hygiene and packaging, which require proper infrastructure to meet the EURO standard in case of exports. The complicated transaction cost (transport, marketing fee, etc.) tends to create barriers for most smallholder cooperatives to face the formal market (Dti, 2012).

Smallholder farmers have limited access to finance; this is caused by the user-financed principle, with the assumption that members have financial muscle. The current evidence shows that only 183 of the 836 agricultural cooperatives in South Africa have received financial support. Most smallholder cooperatives are liquidated and this has become key a constraint (DAFF, 2012).

The above challenges hinder the development of primary smallholder farmer cooperatives with sound support from other role players and necessitate strategic intervention by collective partners/stakeholders, the (Dti, 2012).

2.5 Approaches to analyse the performance of agricultural cooperatives

Different factors contribute to the poor performance of agricultural cooperatives in less developed countries. Smallholder cooperatives were used as the instrument to fast-track agricultural development in less developed countries. Agricultural cooperative development is not developing as perceived by most members.

Simelane (2011) assessed the performance of small dairy producers and marketing cooperatives. The focus was on smallholder production and marketing factors affecting the performance of the cooperatives on the transaction cost and general cooperative constraints. A descriptive analysis tool was used to assess the role played by cooperatives in dairy production and marketing of smallholder farmers in Swaziland. The comparison was made between other business cooperatives and non-cooperative farmer production systems and marketing systems. The performance indicators included socio-economic characters (age, gender and education), household size and major source of income. Econometric analysis was used to confirm whether dairy cooperatives have minimised the transaction cost in production and marketing. In this case the higher transaction cost resulted in poor performance of the cooperative and the lower transaction cost in the better performance of the cooperative. The bulk buying of collective action reduces individual transaction cost and benefits businesses with the reduction of the price of the inputs. However, the researcher recommended that similar studies be conducted in other areas because this research does not represent the country-wide status of cooperatives.

Nkhoma (2011) used multiple case studies to investigate contributing factors to the poor performance of agricultural cooperatives. Two cooperatives were modelled, namely one sustainable cooperative in the district and one less sustainable one in another district. Both cooperatives' members were interviewed and the findings included lack of market access; poor governance and a lack of managerial skills as the core problem affecting cooperatives. The researcher concluded that Malawi agricultural co-operatives are important and need further support in the area of marketing and supportive regulatory frameworks that allow a competitive market environment.

Sikuka (2010) conducted a study to understand the concept of cooperative conversions and compared the performance of the converted cooperatives to those that never converted, using financial accounting analysis and organisational dynamism. Financial performance of companies is higher than the financial performance of cooperatives, especially in assets and revenue growth. The financial performance indicates that converting from a cooperative to a company could result in a slight increase in financial performance; the study shows that companies are far more dynamic than co-operatives.

Further investigation was conducted by Agholor (2013), who among others, investigated some reasons for the poor performance of beef cooperatives in achieving their goals (which included diseases, drinking water stress, inadequate infrastructure, insufficient market access, price fixing of culled stock and labour). Logistic regression was used to evaluate the perception of the constraints of a smallholder cooperative. The results of the analysis revealed that the ability of farmers to perceive constraints increases with the number of

years in farming. In conclusion the study developed the proposal to improve the performance of agricultural cooperatives.

Geysler and Liebenberg (2003) explored the input costs in the farming business. The fluctuation of the share price around the true value has an impact on business value and managers are held accountable when the impact of the cooperative is negative. The Economic Value Added was adapted since it measures the surplus value created by the business with the existing or available resources.

According to Rafat, Lansink, Gerard and Van Dijk (2009) the performance of agricultural cooperatives is measured based on sets of objective. Studies on cooperative financial performance are divided into two categories, namely economic theory study and accounting technique study. Ling and Liebrand (1998) recommend the method to evaluate and compare the operational performance of dairy cooperatives that have surplus to cover operating costs, including the opportunity cost of operating capital. The surplus or extra-value can be seen when operating capital generates an extra-value index (EVI). The performance ranking of a business by EVI and return on equity (ROE) can be generated by using the data collected on cooperatives. In another instance evaluation was based on the age of the cooperative, family size, farm size, input cost and labour cost since they influence output. Education and membership strength have been found to have little influence on output (Matthews-Njoku, Ugochukwa and Chendo, 2003).

Oanea (2012) assessed the management of co-operatives based on the democratic control. An agricultural cooperative is the recognised type of business and the use of large arable land increase the chances of business viability. The success of the cooperative is not measured by profit to cover loss but rather by creating a conducive production plan and lucrative market to increase co-operative members' income. The social indicators were found to have an influence on the default of rural co-operatives (Menegario, Araujo and Fernando, 2001).

Mendola. (2007) have used propensity score matching to measure the impact of an agricultural cooperative on household income. Kaynak and Necdet (2008) point out that cooperatives that are proactive and taking positive risk have a positive impact on competitive strategies (Calkins and Ngo, 2010). The investigation was conducted on a cocoa cooperative that can lead to better productivity, better salary and improved status of the producers. Based on the quantitative and qualitative analysis in two major producing countries, it was proven that cooperatives have a critical role in improving the income, health and wealth of the community.

2.6. Approaches to analysing members' satisfaction in smallholder agricultural cooperatives.

Members of the agricultural cooperative start such a legal entity with certain milestones or objectives. These cooperative businesses, like any business, have various dynamics that can lead to the success or failure to achieve the set of objectives leading to members' satisfaction or dissatisfaction.

The nature of this study requires a participatory approach to understand the perception of the farmers and to ask the right questions (Niki, 2000).

Cooperatives are prone to certain limitations restricting the business to achieve their targets. Failure to accumulate sufficient own capital is a good example and members look at cooperatives as investment institutions. The coordination between cooperatives is influenced by two variables, namely trust and dependence (Narciso and Miguel, 2003).

There is evidence in cooperatives (both anecdotal and empirical) that shows change in the traditional form of member commitment that is vanishing while cooperatives face tremendous challenges (Dakurah, Goddard and Osuteye, 2005). Assessment of cooperative member satisfaction is dictated by various factors, such as the target goals of the cooperative. The target goals of the cooperative affect member satisfaction because the goals may not address individual interest; member participation and commitment are less in most cooperatives and thus affect member satisfaction because of the little contribution from members (Dakurah *et al.*, 2005); cooperative member active participation and loyalty are integral for its success and if members' participation is limited to economic patronage only, the cooperative will be the same as other legal entities or businesses (Hakelius, 1996). The other contributing factor is evaluating members' needs, which is done in most cases due to the divergent set of member objectives, both between and within cooperatives (Gassan, 1977a & 1977b); socio-economic pressure (unemployment; youth employment and value added infrastructure) can also be used to give final results of member satisfaction (Dakurah *at al.*, 2005).

Training of cooperatives and youth involvement will ensure sustainability of agricultural enterprises (Develtere *at al.*, 2008).

Social performance and economic performance are used to analyse the performance of the cooperative (Gerlinda, 2010). Evidence from a multi-purpose cooperative indicates that members' satisfaction is strongly dependent on member patronage, member patronage dependent on member funds and less dependent on member control. Member control is also dependent on member funds, which implies that member funds and profitability performance are the drivers of cooperative growth (Agrawal, Raju, Reddy, Srinivasan and Sriram, 2003).

Some researchers have explored members' satisfaction with the functions of the cooperative. Sadighi and Darvishinia (2005) conducted a study to assess the professional satisfaction of rural cooperative members, using a complete random technique with 320 members. A questionnaire was designed using multivariate linear regression, consisting of three parts to collect data. Members were positive and had a good attitude towards the cooperative and its activities.

Mao, Wang, Zang, Lu, Huang and Chen (2012) used the binary logistic regression model. The scale satisfaction of members' farming and co-operative (funded and non-funded), was measured by the improvement of net income; presidents' performance; financial transparency; fairness in profit sharing and other factors have a significant impact on farmer satisfaction.

Mellor (2009) used cooperative financial profitability, performance and general business success to track cooperative success. Matchaya and Perotin (2013) assessed farmer satisfaction by using the propensity Score Matching method to estimate Average Treatment Effects.

The cooperatives were evaluated in the traditional areas of price, efficiency, financial performance, growth and service provided. Schrader, Babb, Boynton and Lang (1985) explored the dimensions of agribusiness performance in agriculture. Ward (1995) and Sayers (1996) evaluated cooperatives from the farmers' perspective.

2.7. Conclusion

A smallholder agricultural cooperative is considered by various investor stakeholders for economic development, while most collective action members consider the cooperative as the best source of income generation and solutions for most social problems. The performance to date does not meet members' expectations.

Collective action is characterised by a group of people working together and registered as a legal entity, with different levels of commitment and characteristics. Some group members hinder development because they have more individual than common needs.

However, it is evident that more successful collection actions are in the agricultural sector (sector-sector attributes) than any other sector. Management,

Production and marketing have been the common bottlenecks and to overcome such challenges, cooperative collective action is seen as the remedial action to overcome mismanagement, limited production and stringent marketing requirements. Smallholder cooperatives serve as the world food basket with less or no surplus for the market, which is the reason for no or limited salary in smallholder farming.

The formal models of collective action include legal entities, e.g. Partnerships, Companies, Trusts, NGOs and Cooperatives. Literature has proven that most smallholder farmers have registered as primary agricultural cooperative in developing areas with little competency of entrepreneurship.

Smallholder farmers opt to store their produce, especially grain, to exchanging it for cash, believing that transactions like transport and banking cost them more than they can afford. Some smallholder farmers have inherited the farming activities as a way of sustaining their family rather than making business from agricultural activities.

The recent formation of the agricultural cooperative was a response to the market requirements and formalisation of the business. Limited farming land is the core of the farming business, but climate change is restricting farmers to take risk and put all their eggs in one basket. Other collective actions have engaged in secondary production or milling of grain and are not fully utilised due to limited supply of raw material from smallholder farmers.

The International Co-operative Alliance is confident of the co-operative movement because they stabilise the regional economic cycles leading to poverty reduction and the achievement of the millennium goals. In addition, cooperatives have been found to play a role in promoting social integration and developing new leaders that are diversified.

An additional challenge is the age group, which is dominated by pensioners with little or no school qualifications, which restricts the chances of socio-economic growth in the farming sector.

The cooperatives that had an impact are those funded by government and that are exempted from tax. It was agreed during the Growth and Development Summit to flagship cooperatives as economic development pillars. Other challenges affecting the performance of the cooperative include the expenses of running collective action and the high rate of conflict. Other weaknesses and threats in collective action include cooperative governance and government challenges. Thus the smallholder cooperative needs an incubation period to formalise and sustain the business before the exit of key stakeholders. One limiting factor omitted by the funders is that payment of workers is not funded and most members tend to resign and move to greener pastures since the return on investment takes long in the farming sector.

Common obstacles in collective action revolve around management, insufficient credit and the primitive nature of the cooperatives. Those who have received funding usually regard production and marketing as the core problems due to unfavourable farming conditions and global trade.

Various tools have been used to analyse the above factors; they include, among others, Econometrics to analyse transaction costs and marketing; financial accounting analysis and organisational dynamism to assess financial performance. Credit unions have used a PEARLS to monitor the performance of the credit union systems; the advantage of the tool is that managers can identify grey areas that need intervention. Since most co-operatives analysed are not financial institutions, the tool is not suitable. Other authors used cross-sectional data and propensity score matching to assess the use of technology.

For smallholder members' satisfaction cooperative business is set to achieve a set of objectives, which are member-oriented than individual-oriented. Personal attributes (honesty, trust) and dependency have a negative effect on satisfying members. Smallholder cooperatives operate in the open market system without any stringent measures that they must follow. Internal regulation, like the cooperative constitution that is supposed to be the yardstick, is not followed to ensure members' satisfaction.

3.1. METHOD OF DATA COLLECTION

Mogalakwena Municipality has agricultural cooperatives that practise farming in livestock production, vegetable production, grain crops and mixed farming.

A sample of eight agricultural cooperatives was selected the majority of the cooperatives are engaged in broiler production as the marketable product. The cooperatives are widespread in the municipality in a radius of 140 km from Mogalakwena Central Business District.

The cooperative members were contacted by phone for the appointment and visited on a suitable date and time since they were self-employed on their farms. The questionnaire was distributed to each member of the cooperative, the reason for the data collection explained, and how the ratings would be done. The interviews were conducted by reading the questions and where necessary translating the questions in the respondents' language and the members would individually give answers to the questions in the questionnaire.

The criteria used for the selection of cooperatives to be interviewed are limited to active membership. The majority are engaged in broiler production and are female-dominated. Almost 85% of the members were interviewed using a designed questionnaire (Schrader, 2010). The cooperative with the highest membership and highest number of questionnaires returned was the third criterion used to select the cooperative with sufficient information to be used for the study.

The challenges experienced during data collection included the following: the literacy level of most cooperative members was below average; most cooperatives were owned by pensioners and the membership of the cooperatives had dropped by more than 80% of the initial number.

The tool that was used was based on the FORCE tool by Schrader (2010) because of the following reasons:

1. The tool is flexible, easy to use, cost effective and action-orientated.
2. It harnesses how members evaluate their competency and how they view business relations (members' perspective).
3. The tool can induce a change process that can lead to capacity building and improve business in the cooperative.
4. The tool establishes discussion within smallholder farmer cooperative

stakeholders.

5. The research provides organisation reports and comparative reports.
6. The research provides an analytical perspective from both farmers and stakeholders.

The seven steps used in the tool

1. Customisation and organisation
2. Identifying indicators and formulating statements
3. Introducing the self-assessment to farmers
4. Farmers scoring the statements
5. Data processing
6. Preparing a debriefing report and meeting
7. Sharing and discussing self-assessment results

The tools used map how farmers perceive their organisation and business relations. The tool is further used for capacity development of the farmer organisation and agribusiness development opportunities. The only limitation of the study is that it does not investigate the financial status or provide proof of the financial movement of the identified cooperatives. Secondly, the tool assumes that all the cooperatives have market contracts with the consumers or market outlet.

However, the tool might have some limiting factors; humans as the key source of information are as fallible as any other researcher instrument because of mistakes, bias or misleading information and time is a limiting factor when planning a study (Marshall and Rossman, 2006).

The names of the agricultural co-operative/legal entities that were visited to collect information are listed in the table below:

Table 3.1.1. Names of Collective Actions Interviewed

Name of Cooperative	Area	Type of farming	Members	Status	Date of interview
1. Agang Rebone Poultry Cooperative	Rebone	Broilers	5	Active	10/10/2014
2. Bakone Ba Kopane Goat Cooperative	Segole	Goat	12	Dormant	26/07/2014
3. Hlahlolanang Agricultural Cooperative	Ga-Madiba	Broilers and vegetables	8	Active	10/07/2014
4. Malokong Agricultural Cooperative	Pudi ya Kgopa	Broiler	7	Active	11/09/2014
5. Mapela Agric. Irrigation Cooperative	Mapela	Vegetables	60	Active	12/09/2014
6. Masipa Poultry Cooperative	Ga-Masipa	Broiler	7	Active	11/09/2014
7. Mokaba Farmers Agric. Cooperative	Ga-Mokaba	Vegetables and Field Crops	11	Active	12/09/2014
8. Koputjana Close Cooperative	Jaagpan	Broilers	6	Active	10/07/2014

Most cooperatives honoured the requested dates and all the members were requested to be available; due to social commitments, some members were not available and information was collected since the two-third majorities was present. It is procedural in all project/cooperatives to start the meeting with prayer, and then later I personally presented the purpose of the visit and how information would help them in improving their grey areas after analysis of the results.

The question was designed consisting of eight assessment area informed by the challenges of the cooperatives (Management, Evaluating members need, poor networking relation and default) and statements (skills gap, access to finance and marketing information, social indicators, member financial contribution, production plan and cost etc.) using Schrader's (2010) tool:

1. Membership base

The membership base will clarify the official existence of the member, with statement like formulation and sharing of objectives, internal communication, community engagement etc.

2. Governance, leadership and internal democracy

The question will validate the legitimacy of the collective action, with statement that are not limited to documentation and sharing of internal regulation among members, democracy and transparency in the collective action, women and youth representation and joint annual planning and review.

3. Management of human and financial resources

The question investigate if the committee members have the required skills and competency, is there any training programme in place for the managers, record keeping, reporting annually on resources and income etc.

4. Collaboration and Alliance

The component look at the question that is not limited to legal recognition of the collective action, compliance with local authorities and government authorities, working relation with private sectors etc.

5. Service provision to members

The question look at meeting the interest of the members, collective action facilitating access to resources for the collective action so that they can benefit the members, benefits of being a collective member etc.

6. Production and production risk

The question focuses on the land suitability for growing the enterprise, the cost of production, quality assurance of the product, and access to credit etc. The question is asked because the production is the core of the business and no production will lead to members' dissatisfaction.

7. Relationship between farmers and buyers

The question look at the contractual obligation of the collective action, the price paid to the product quality, the value adding opportunities, quality control of the produce etc. The customers are the key stakeholders for the sustainability of the cooperative which means that they must always be satisfied with the product they are paying. The unsatisfactory behaviour of buyers will lead to the lower/no income of the collective action which will eventually lead to shutdown of the business.

8. Default

The question look at the outstanding loans of the collective action, the contractual obligations are clear and have dispute resolution strategy, the impact of national price change to their product price, individual member contribution can increasing savings in the collective action etc.

The questionnaire was distributed to all members and read in English, but because some members could not understand, two Agricultural Economics interns (Ms. M.W. Bopape and Mr. M. T. Mabuela) helped with the translation into Sepedi/Northern Sotho.

Cooperative members were requested to score each statement, ranging from 0 (totally disagree) to 5 (fully agree); see Appendix 7.1. The members were requested to be fair when answering since the results had to reflect the true picture of their cooperative and not to copy from other members. The exercise was tedious because of the statement translation, and the concentration level of the cooperative members dropped if more than an hour was spent on asking questions. In some projects we had intervals/breaks so that they could perform their daily duties and resume with the questionnaire. On average one cooperative visit lasted almost two hours.

After collecting the information from the eight Collective action, the individual members respond was placed into the FORCE tool on the excel programme. The respond per member in cooperative is link eight questions that generate a general graphs giving the minimum score, maximum score, average score and standard deviation per collective action.

All eight collective action information was collected and will be used to make comparison or test where necessary. However, Mapela Agricultural cooperative have the highest number of respond and decided that it will give more information than other collective actions with less number of responds.

The results for Mapela Agricultural cooperative will be compared with Koputjanang close cooperation for hypothetical test of the second assessment area (governance and internal democracy).

CHAPTER 4

RESULTS

4.1. Introduction

The main aim of Chapter 4 is to report and discuss the results of the analysis of the perceptions of eight collective actions that were interviewed even though the final synthesis will be on Mapela Agricultural Co-operative members in Limpopo Province.

The graphs illustrate the performance areas with supporting statements. The analysis will be on the maximum score; minimum score and the median score for seven collective actions and there will be an addition of the standard deviation for Mapela Agricultural cooperative as the recommended collective action for detailed analysis.

The tables below will depict the overall scoring of cooperative members in eight assessed areas.

4.1.1. Koputjanang Close Cooperative

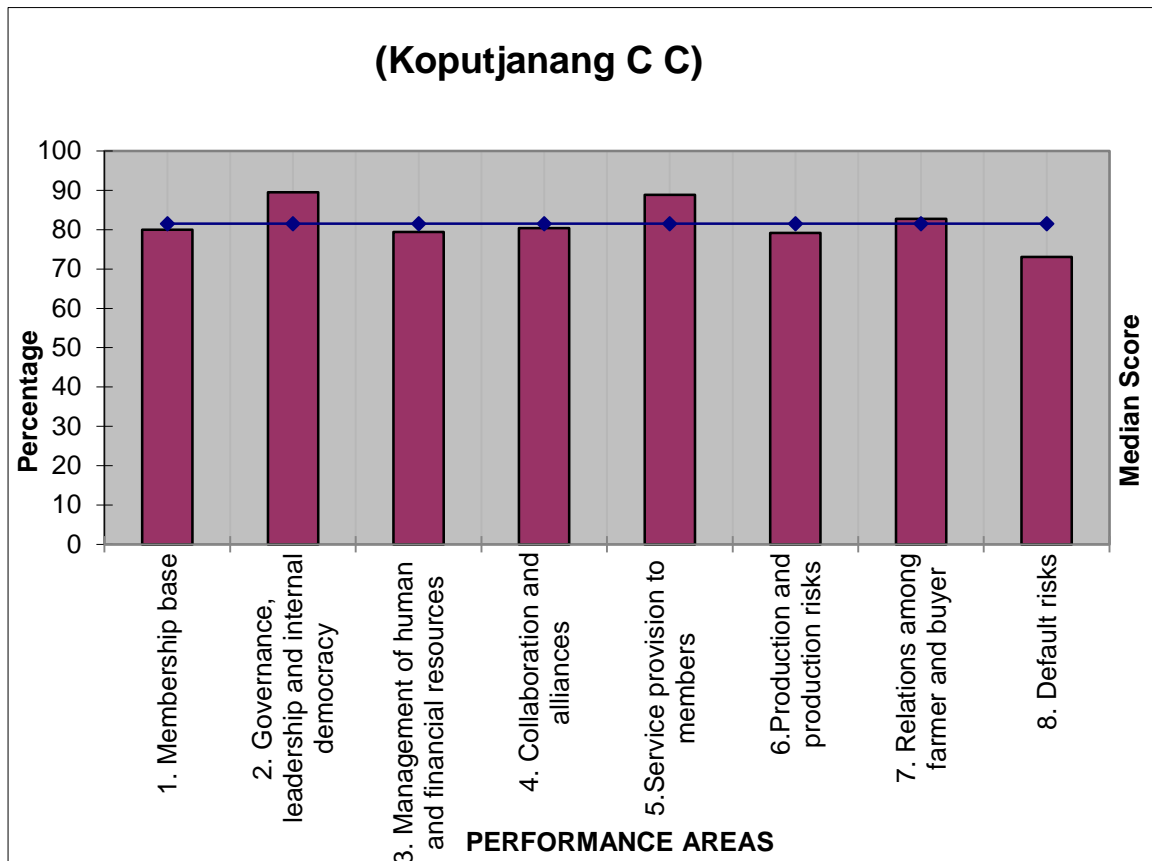


Figure 1: Overall scores of the perception of all members of Koputjanang Close Cooperation.

Source: Own calculations

Koputjanang Close Cooperation shows the minimum score (73) on Defaults risk; the maximum score of (89) on Governance, leadership and internal democracy and service provision to members with the median score of 81.5. The performance of assessed areas is above 50% indicating good performance of the collective action.

4.1.2. Hlahlolanang Agricultural Cooperative

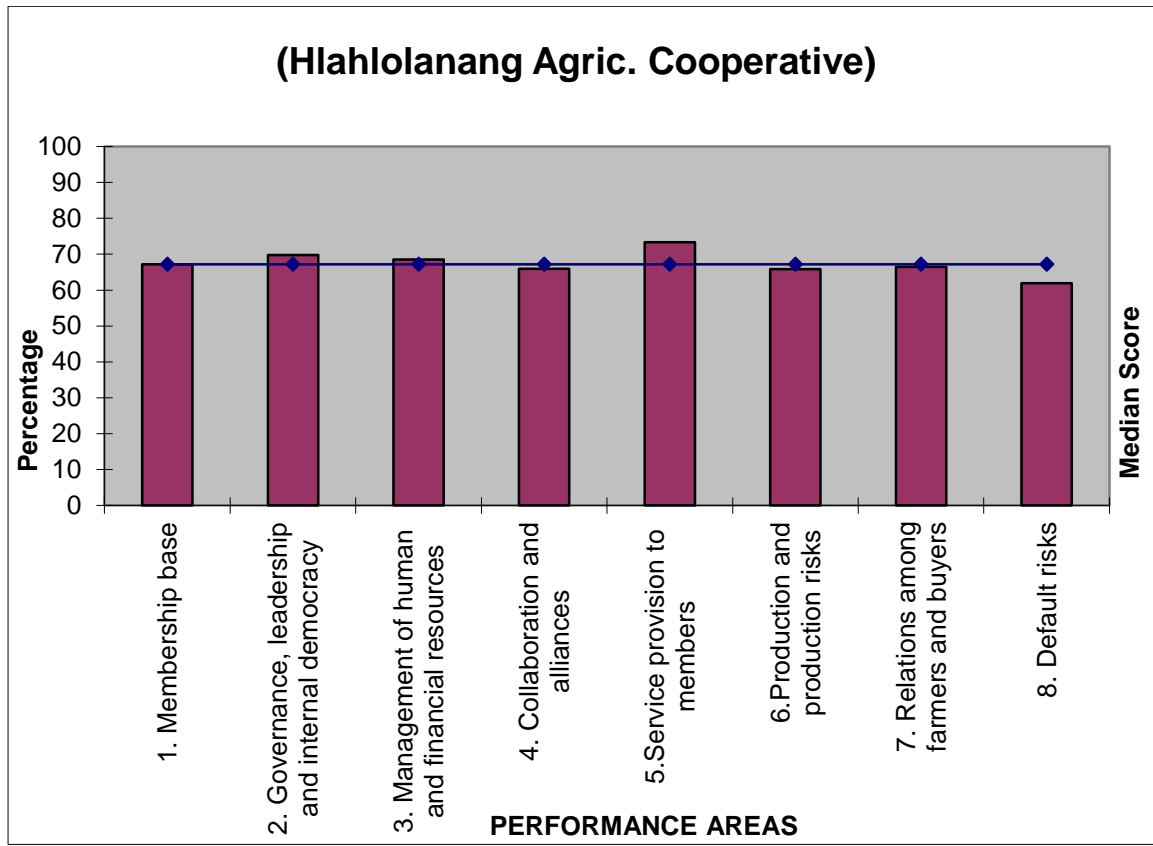


Figure 2: Overall scores of the perception of all members of Hlahlolanang Agricultural cooperative.

Source: Own calculations

Hlahlolanang Agricultural Cooperative results indicate the minimum score of 62 on Default risk; the maximum score of 73 on service provision to members and the median score of 67.2. However, the cooperative is also on the winning side of the business since scored above 50% of the assessed areas.

4.1.3. Agang Rebone Agricultural Cooperative

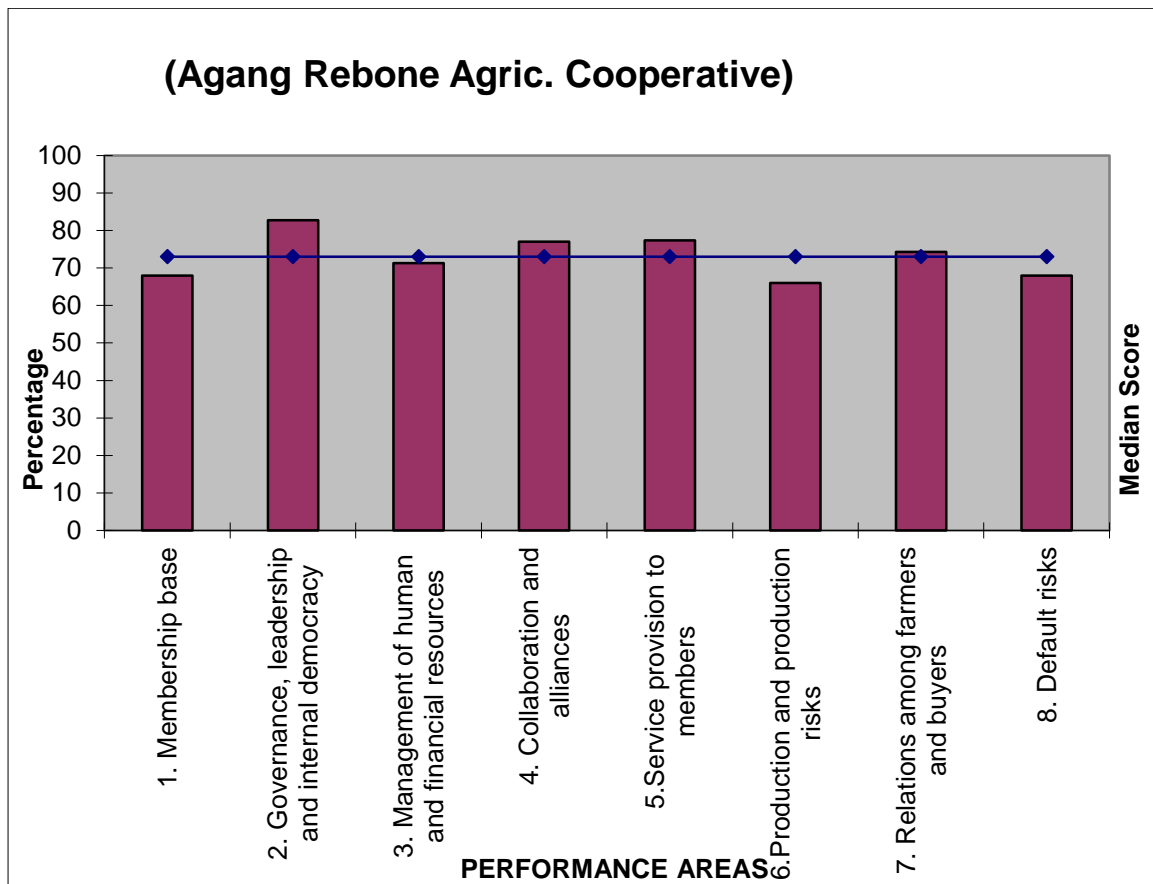


Figure 3: Overall scores of the perception of all members of Agang Rebone Agricultural cooperative.

Source: Own calculations

The cooperative score the minimum score of 66 on production and production risk; the maximum score of 83 on governance, leadership and internal democracy and the median score of 73. The cooperative scores sound healthy considering their positive score above 66%.

4.1.4. Masipa Agricultural Cooperative

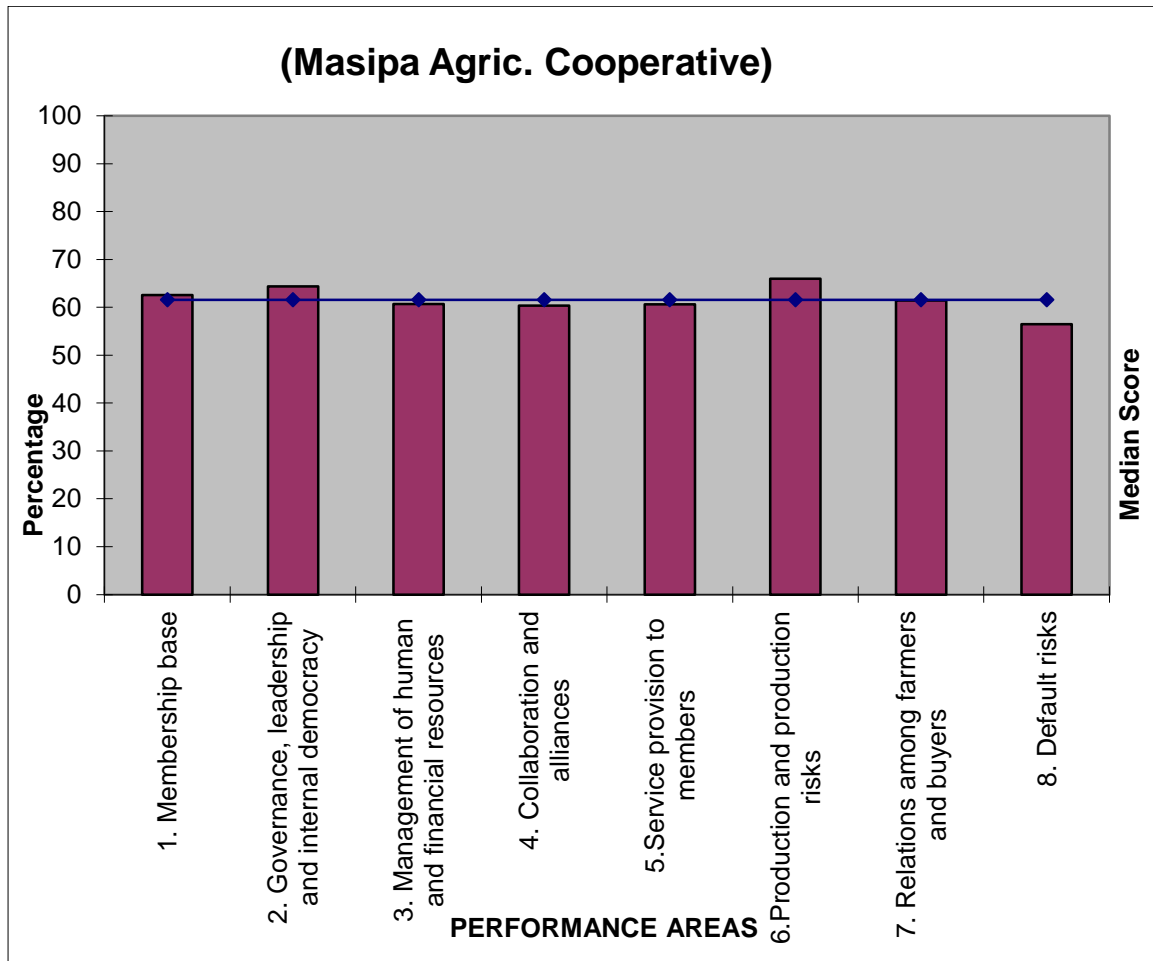


Figure 4: Overall scores of the perception of all members of Masipa Agricultural cooperative.

Source: Own calculations

The table above shows the minimum score of 56 on Default risk; the maximum score of 66 on production and production risk and the median score of 61.5.

4.1.5. Malokong Agricultural Cooperative

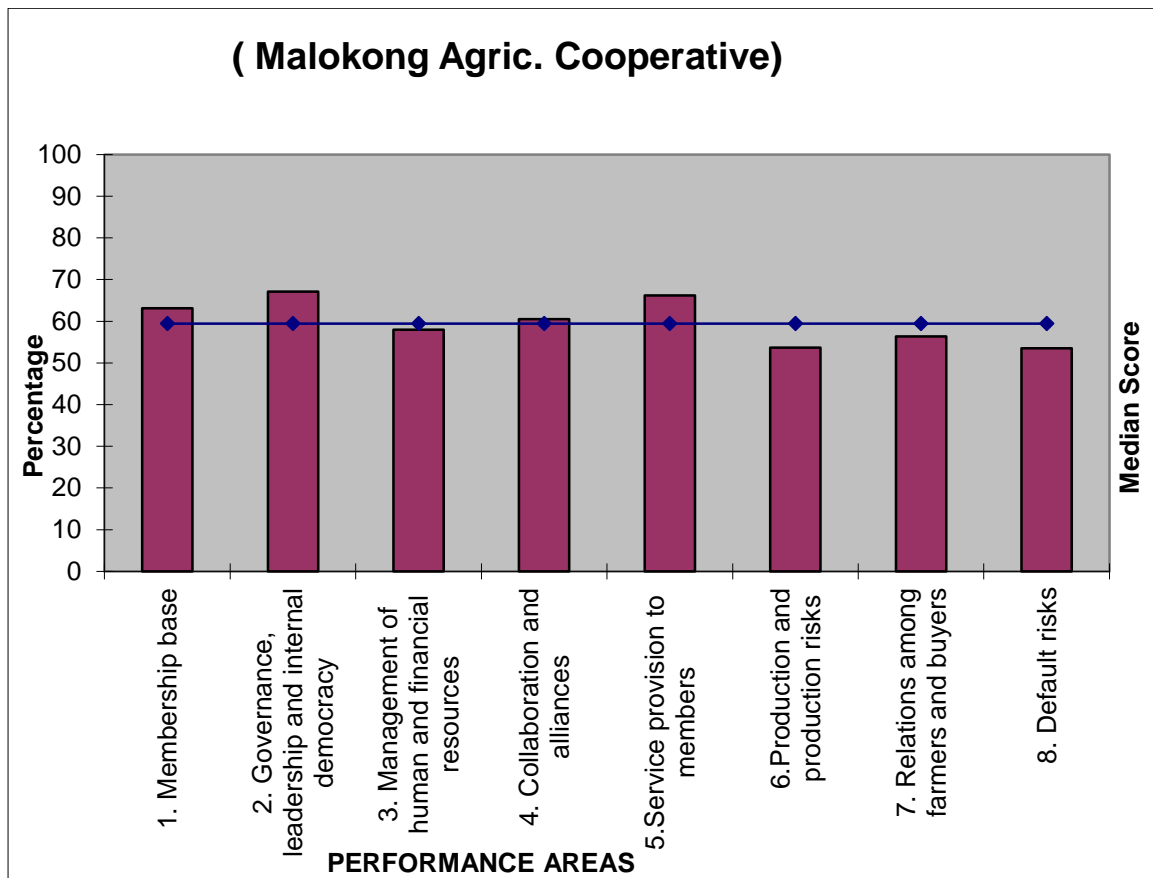


Figure 5: Overall scores of the perception of all members of Malokong Agricultural cooperative.

Source: Own calculations

The overall results for the cooperative indicate the minimum score of 54 on production and production risk, the maximum score of 67 on Governance, leadership and internal democracy, and the median score of 59.5.

4.1.6. Bakone ba Kopane Goat Cooperative

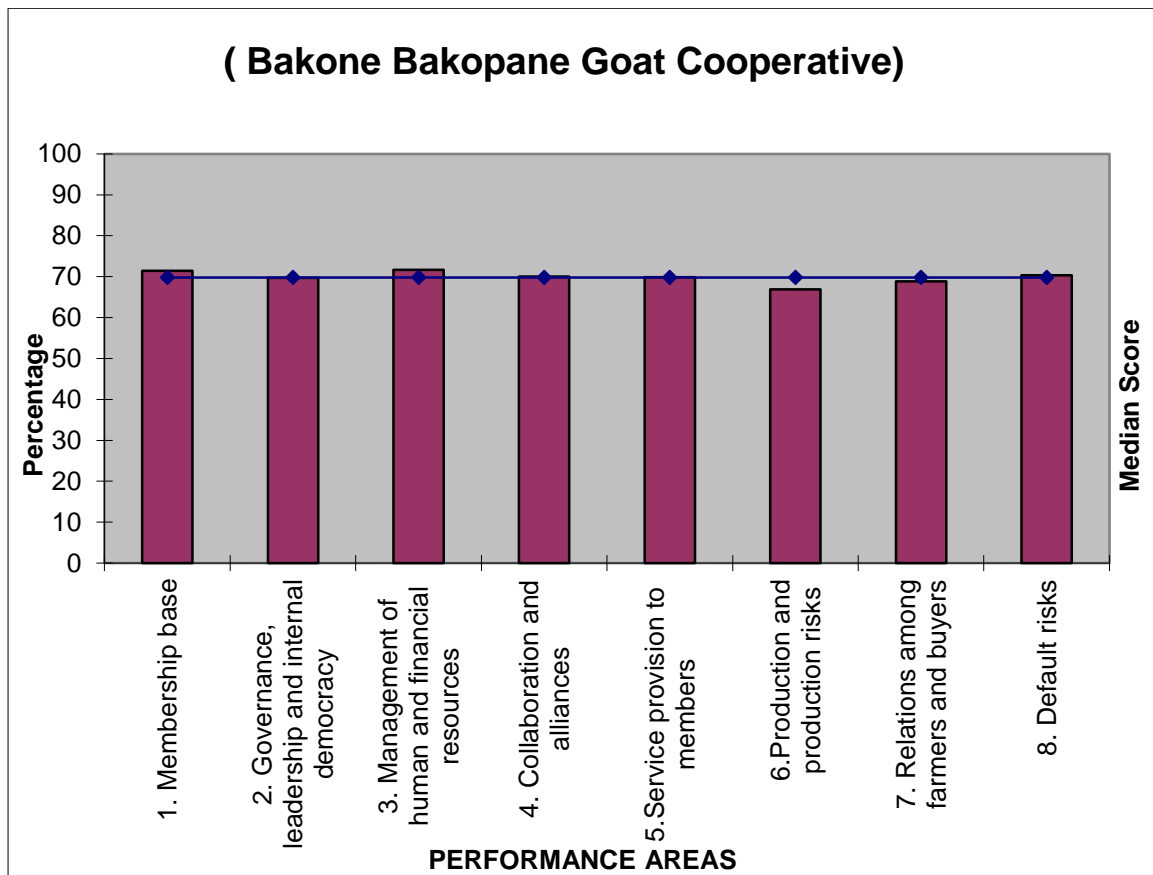


Figure 6: Overall scores of the perception of all members of Bakone ba Kopane Goat cooperative.

Source: Own calculations

The score for Bakone ba Kopane cooperative have the minimum score of 67 on production and production risk; the median score of 72 on management of human and financial resources and the median score of 69.7.

4.1.7. Mokaba Agricultural Cooperative

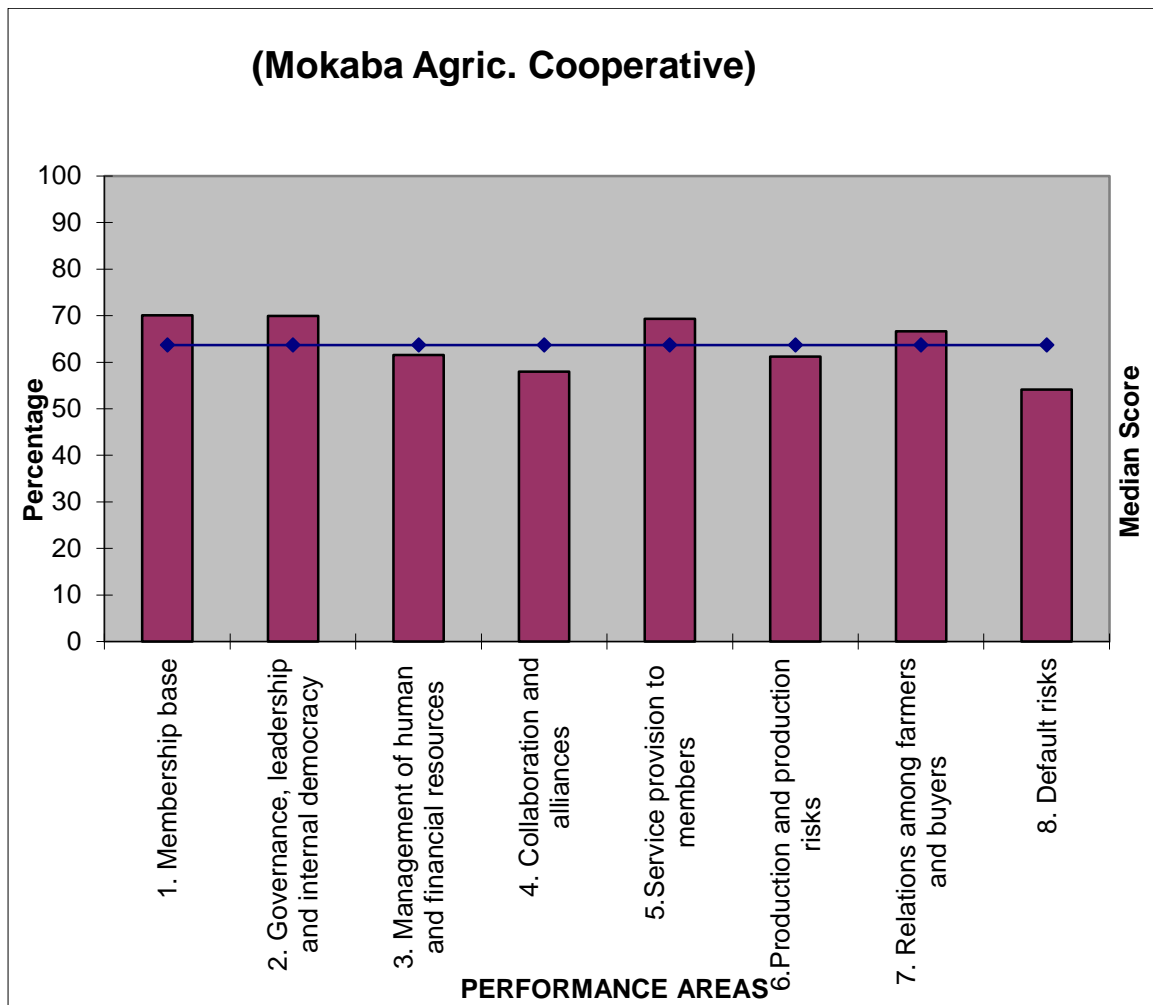


Figure 7: Overall scores of the perception of all members of Mokaba Agricultural cooperative.

Source: Own calculations

The cooperative table indicate the minimum score of 54 on Default risk; the maximum score of 70 membership base and governance, leadership and internal democracy, with the median score of 63.6.

4.1.8. Mapela Agricultural Cooperative

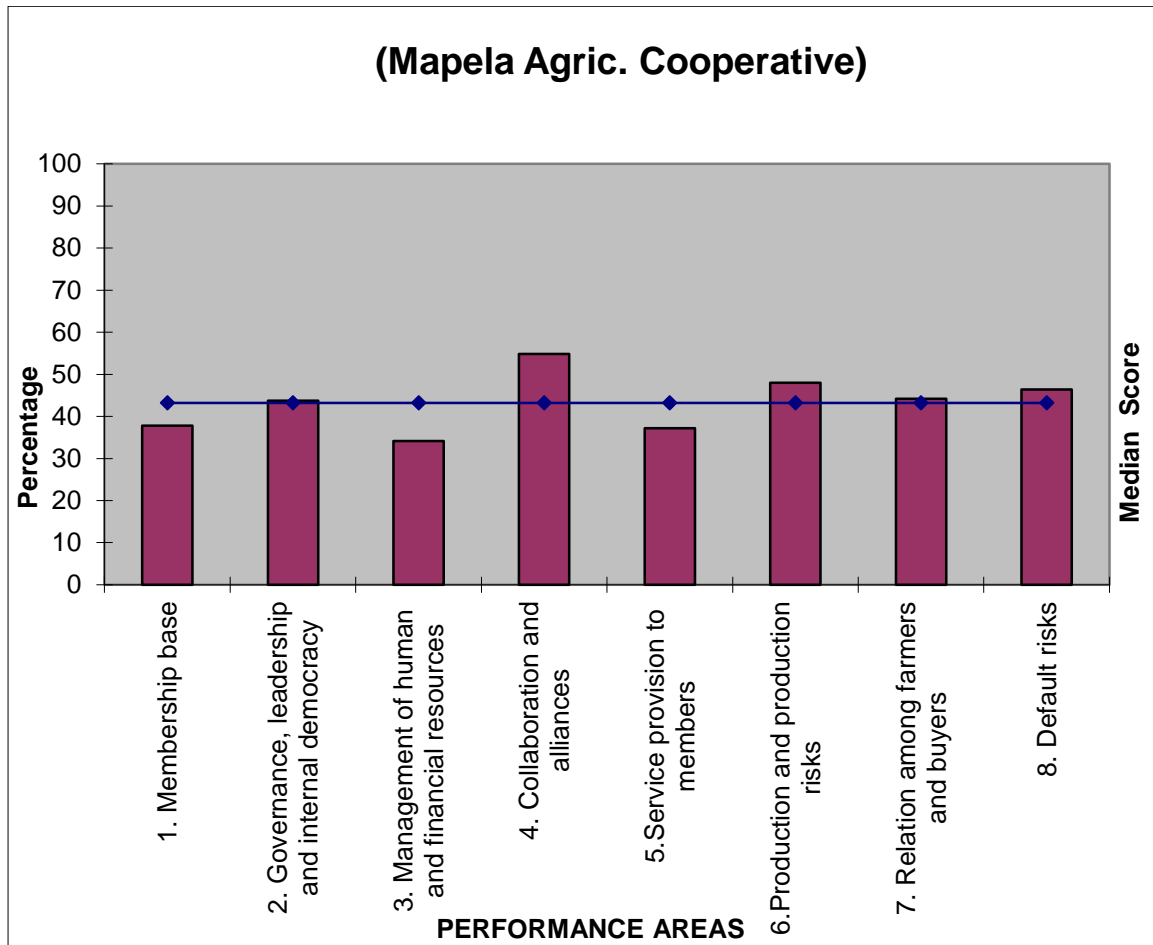


Figure 8: Overall scores of the perception of all members of Mapela Agricultural cooperative.

Source: Own calculations

Mapela Agricultural cooperative results indicate the minimum score of 34; the maximum score of 55, with the median score of 43. The cooperative score the lowest compared to other seven cooperative.

The conceptual relation that will be tested is the Management of human and financial resources between two collective actions (Koputjanang Close Cooperation and Mapela Agricultural cooperative). In comparison to Koputjanang Close Cooperation, Mapela results shows the minimum score of

34 on Management of human and financial resources compare to the score of 73 on Default risk of Koputjanang Close Cooperation. The maximum score of 55 on Collaboration and alliance compared to 89 on Governance, leadership and internal democracy and service provision to members. The median score is 43 for Mapela compared to 81.5 of Koputjanang Close Cooperation. The performance of the two collective action thus give the impression that type of collective action and membership number have the influence on the performance of the collective action.

4.1.9. The overall performance of eight assessed Collective Action.

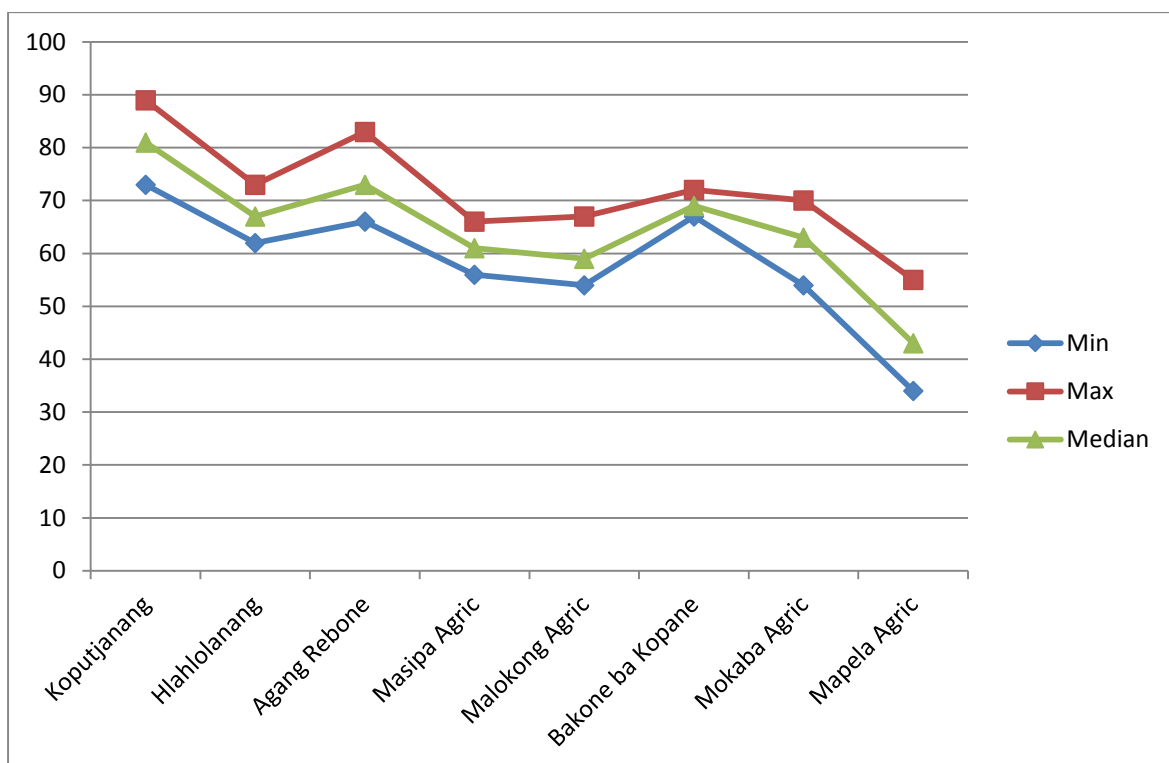


Figure 9: Overall performance of eight assessed Collective Actions.

Source: Own calculations

The above table indicate that Koputjanang out performed all the collective action with the score up to maximum of 89, the median score of 81 and

minimum of 73, followed by Agang Rebone with maximum score of 83, the median score of 73 and minimum of 66 and Mapela with the lowest score of 55 on maximum, the median score of 43 and minimum score of 34.

However, Mapela was considered for the results analysis due to the high number of respondents (20) compared to Aganang Rebone Cooperative with 5 respondents and Koputjanang Close Cooperation with 6 respondents.

4.2. Perception of the Members of Mapela Agricultural Cooperative

Firstly the focus is on comparing the results of eight performance areas used to measure the performance of the cooperative. Thereafter the results of the individual performance area (component) from members of Mapela Agricultural cooperatives, including the members of the management committee are analysed.

4.2.1. Characterized of Mapela Agricultural cooperatives.

Age (Years)	Gender	Years of membership	Highest standard passed	Post Matric Qualifications
23-80	F= 11 M=9	2-44 years	Grade 12	4 Member have degree qualification (2 male and 2 female)

The graphs below will illustrate the assessed areas with supporting statements. The variables that will be used in the analysis will be the maximum score; minimum score; the median score and the standard deviation. The maximum

score will show the highest score achieved per statement; the minimum score will indicate the lowest score or less satisfied statements; the mean score was found to be statistically not valid and decided to use the median score since it is more representative. The standard deviation will show the differences among members or statements, the standard deviation below 1.5 signifies is reasonable differences and above 1.5 indicate that members have different point of view in the assessed areas.

4.2.1. (a) The overall scores of the eight performance areas for all the members of Mapela cooperative.

The average scores of the ratings of the respondents' perception of the performance of Mapela cooperative for the eight performance areas considered in this research are shown in Figure 10(a).

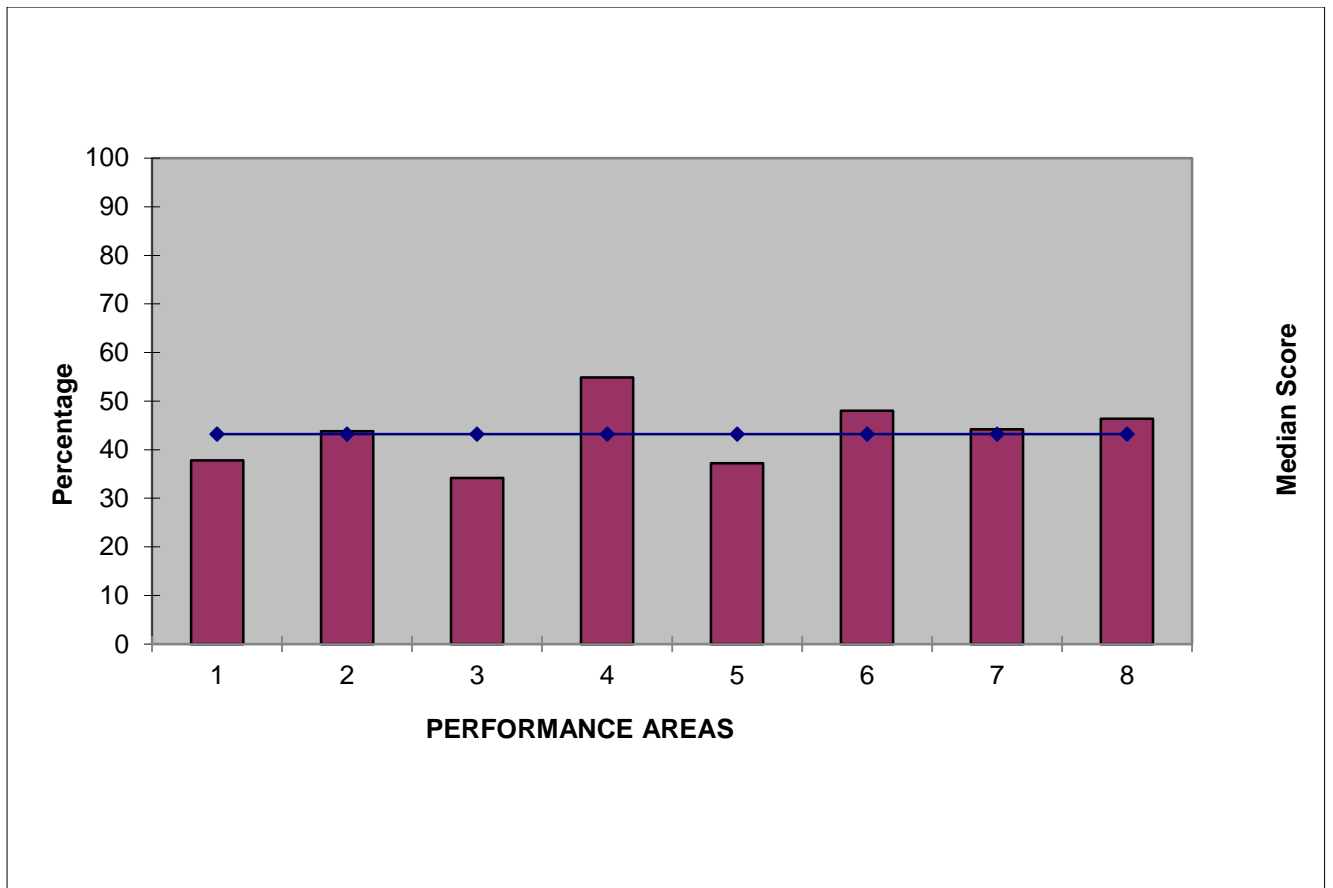


Figure 10(a): Overall scores of the perception of all members of Mapela Agricultural cooperative.

Source: Own calculations

Notes: 1.Member base

- 2. Governance, leadership and internal democracy
- 3. Management of human and financial resources
- 4. Collaboration and alliances
- 5. Service provision to members
- 6. Production and production risk
- 7. Relationship among farmers and buyers
- 8. Default

Figure 10(a) shows that the overall performance of the eight performance criteria indicate that the members of Mapela cooperative perceived poor performance of the cooperative. The median score is only 43.2, with a minimum

of about 34, maximum of about 55 and standard deviation of 1, which implies almost same view point of members on the assessed statements. The lowest score for the management of human and financial resources suggests that members of the cooperative show a great concern for the management of human and financial resources and for service provision to members. Other performance criteria that were rated below average include member base (1), management of human and financial resources (3) and service provision to members (5). The rating suggests that immediate intervention for better performance of the co-operative is urgently required.

Albeit lower than 55, the aspects that were rated the highest include collaboration and alliance (4); production and production risk (6); default risks (8). Members were highly satisfied with the aspects, which is supported by the standard deviation of 1, meaning that members have same viewpoints to the statements. Ultimately the low scores as rated by the members suggest that there is a major need for intervention to assist the cooperative to serve its members in order to facilitate their participation in commercial agriculture in South Africa.

4.2.1. (b) The overall scores of the eight performance areas for the Managers of Mapela Agricultural cooperative.

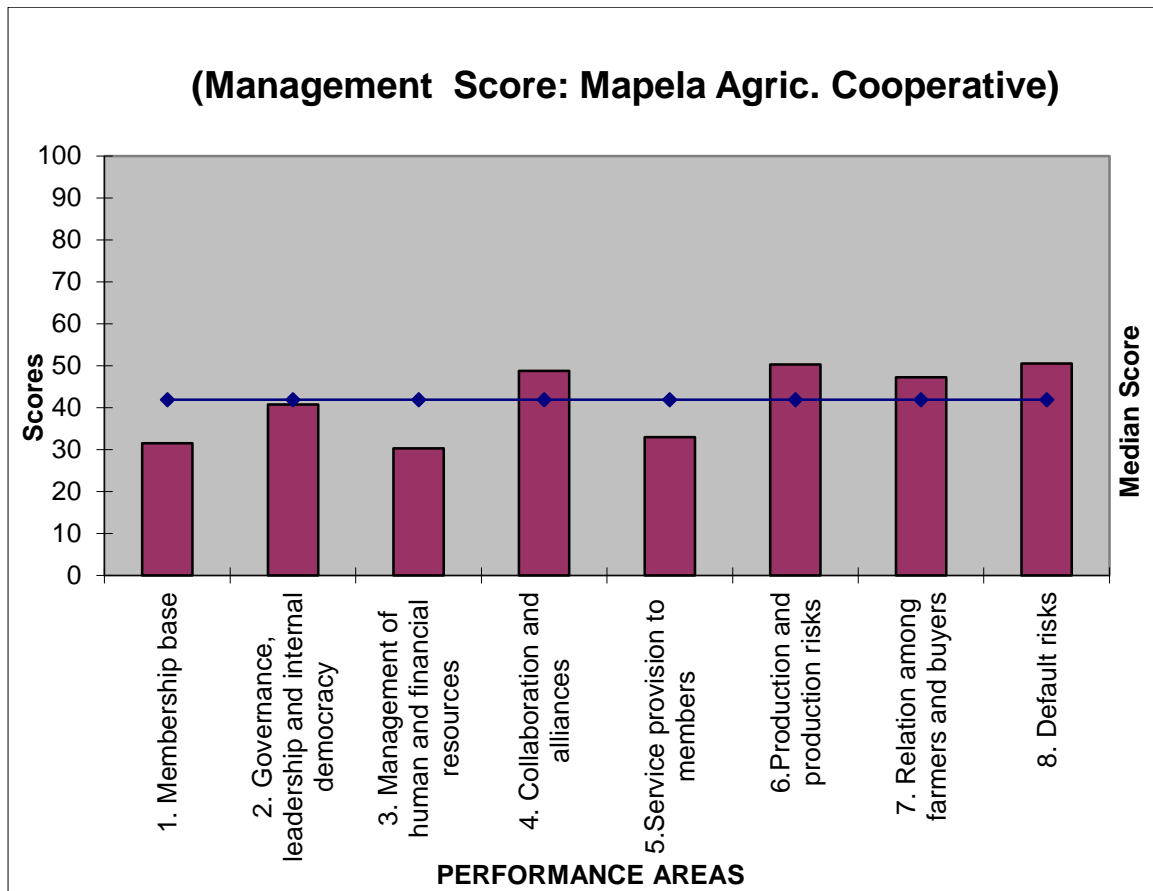


Figure 10(b): Overall scores of the perception of Managers of Mapela Agricultural cooperative.

Source: Own calculations

Figure 10(b) shows that the overall performance of the eight performance criteria from managers indicate that the members of Mapela cooperative perceived poor performance of the cooperative. The median score is only 41 compared to 43.2 of all members, with a minimum of 31 compared to 34 for all members, maximum of about 51 compared to 55 and standard deviation of .39 compared to 1, which means that managers tend to understand their activities the same compared to ordinary members.

The lowest score is the management of human and financial resources which is the same as the ordinary members respond. Other performance criteria that were rated below average include member base (1), management of human and financial resources (3) and service provision to members (5). The rating indicates almost the same scoring between the members and the management, although the standard deviation is different.

4.2.2. Membership base

Mapela Agricultural cooperative members rated the level of satisfaction of members using nine questions, and the average scores are presented in Figure 11.

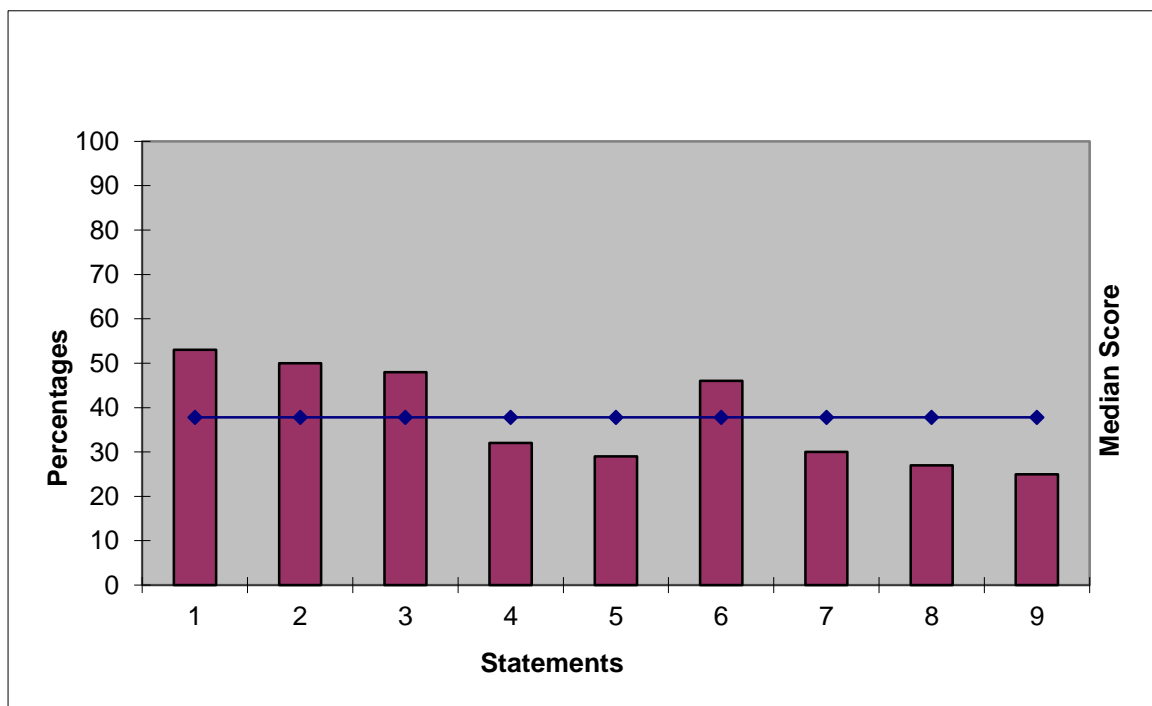


Figure 11: Membership base of Mapela Agricultural cooperative

Source: Own calculations

Notes: 1. Our farmer group has clearly formulated the objectives it wants to reach.

2. These objectives are shared with all individual members.
3. The conditions for adhering to our organisation are clearly defined.
4. In our community all people who want to can be member of our farmer group.
5. Our organisation actively seeks the adherence of new members.
6. We have a member register that is up-to-date.
7. Internal communication within our organisation is well organised: members are well informed.
8. All members regularly pay their membership fees and other contributions.
9. All members actively participate in the activities of our organisation.

Figure 11 shows the median score 38 for a membership base. Again the scores for the different indicators range between about 25 and 53. The situation clearly shows that membership participation in the cooperative is still a great concern and members are not willing to contribute financially as patronage. However, the standard deviation of 1.3 implies the less difference among members.

The indicators that were rated the lowest include refusal to allow membership from the community (4), which is linked to no adherence of new members (5) and members not informed about the cooperative activities (7). Very important is the lack of members making financial contributions (8) and less participation of the members in day to day activities of the cooperative (9). Thus in terms of the membership base the membership is very low, leading to low benefits to the socio-economic activities in the community and the cooperative principle emphasises or recommends the recruitment of members who usually volunteer from the community. It is further recommended that new members bring innovative ideas and financial contribution that will improve the management of the cooperative. The equal participation of members is vital but detrimental when the membership exceeds the activities or enterprises and the

recommendation is that other members (pensioners or unproductive members) might be shareholders while capable members can be labours and shareholders. Alarming, even the indicators that were rated the highest are still rated about 50 % and lower. The other four variables indicate better performance on documentation of records, namely filed records of the objectives (1) and a list of up-dated membership (6). The co-operative generally needs to improve and put more emphasis on the possibility of new recruitment, innovation and source financial muscle in the farming business to enhance the rational or satisfying members of its cooperative. The indicators that scored above average include the business plan that contains the target objectives. The business plan and the constitution need to be revised and shared among members to ensure equal understanding of the objectives and conditions of the cooperative.

Attention should be paid to all indicators. For the purpose of participating the focus should first be on the poor scoring of members' participation. This finding is supported by Olson (1965), who states that individuals of the group tend to fail when addressing the group needs. The tolerance of community participation/social indicators was found to have an influence on the default of rural cooperatives (Fulton, 1999). Mapela cooperative is performing below the average of 38% on communication (Statement 1) and Develtere (2008) states that communication is a critical area in alerting members of the status quo of the cooperative. Transformation of a cooperative can be achieved only by improving member financial commitment (Fulton, 1999). Agrawal *et al.* (2003) state that member control is also dependent on member funds, which means the member funds and profitability performance are the drivers of cooperative economic growth.

4.2.3. Governance, leadership and internal democracy

The average scores of the ratings of the respondents' perception of the performance of Mapela cooperative for the 13 statements considered in this research are shown in Figure 12.

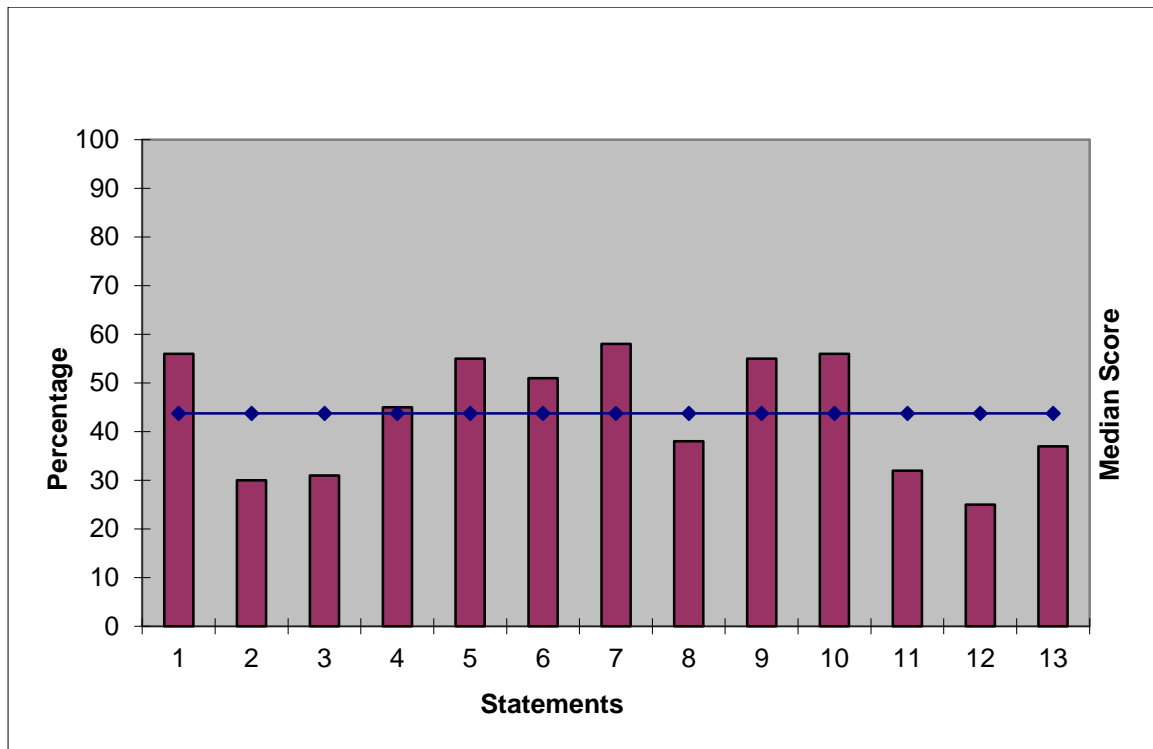


Figure 12: Governance, leadership and internal democracy of Mapela Agricultural cooperative

Source: Own Calculations

Notes: 1. The internal regulations of our organisation are well documented.

2. All members know the internal regulations.

3. The statutory bodies of our organisation (general assembly, committee/ board, etc.) function according to their mandates.

4 The members of the board/committee are democratically and transparently elected.

5. The duration of the mandate of a leadership position is well defined.

6. Criteria for being a good chairman are clearly spelled out.

7. Somebody who cannot write cannot become a secretary.

- 8 We have elected a treasurer who can correctly keep the books.
9. Women and youth are sufficiently represented in the elected bodies of our organisation.
10. Important decisions are taken during meetings where everybody can share his or her point of view.
11. Every year our organisation elaborates an annual plan that indicates what we are going to do.
12. Every year we evaluate the results that we have obtained.
13. Board/committee decisions get immediate follow-up and are implemented.

Members of the cooperative responded to governance with the median score of 44, ranging from 25 to 58. The indicators that scored below average include annual evaluation of results (12); internal regulation not known by members (2); committee members not working as mandated (3); treasury cannot keep books (8); decisions taken get continuous follow-up (13); annual plans are not attended (11). The above indicators are in ascending order and require remedial action to improve the situation of Mapela cooperative as shown in Figure 12. The respond to the statement scored fairly the same since the Standard deviation is 1.3.

The implications of the above results are that cooperative members do not work as a team, taking joint decisions and educating other members; this may lead to the collapse or bankruptcy of the cooperative. The indicators prove that the board of directors is not well capacitated to render or perform their duties. Furthermore, there are no systems in place to track their responsibilities or duties that need follow-up for the maximum satisfaction of the members and the proper running of the cooperative as the business. It is recommended that the board of directors be better capacitated and apply the *train the trainee system* so

that all the members are empowered, work according to the agreed plans and the annual review is done for remedial actions to be taken when necessary.

Generally the members are satisfied with documented regulation (1); the board of directors were elected democratically for the specified period of office (4 and 5); youth and women were well represented (9); and important decisions were taken during the meetings (10).

The performance indicators above average imply that cooperative members try to comply with other activities and need improvement since they did not achieve 100%. To solve the problem, internal documents need to be filed and documented. The literacy level needs to be improved by presenting various workshops/training on leadership skills.

The areas of intervention for the effective running of a cooperative include the effective operation of the committee members, annual planning in the joint setting and review of the results on an annual basis.

Poor governance and a lack of managerial skills are the core problems affecting cooperatives (Nkhoma, 2011), leading to members not knowing or understanding their internal regulations. Boards of directors sometimes do not function according to their mandate by members (See the score above), which is linked to abuse of authority (Norbu, 2008).

4.2.4. Management of human and financial resources

The average scores of the ratings of the respondents' perception of the performance of Mapela cooperative in terms of the management of human and financial resources, using 12 statements considered in this research are shown in Figure 13.

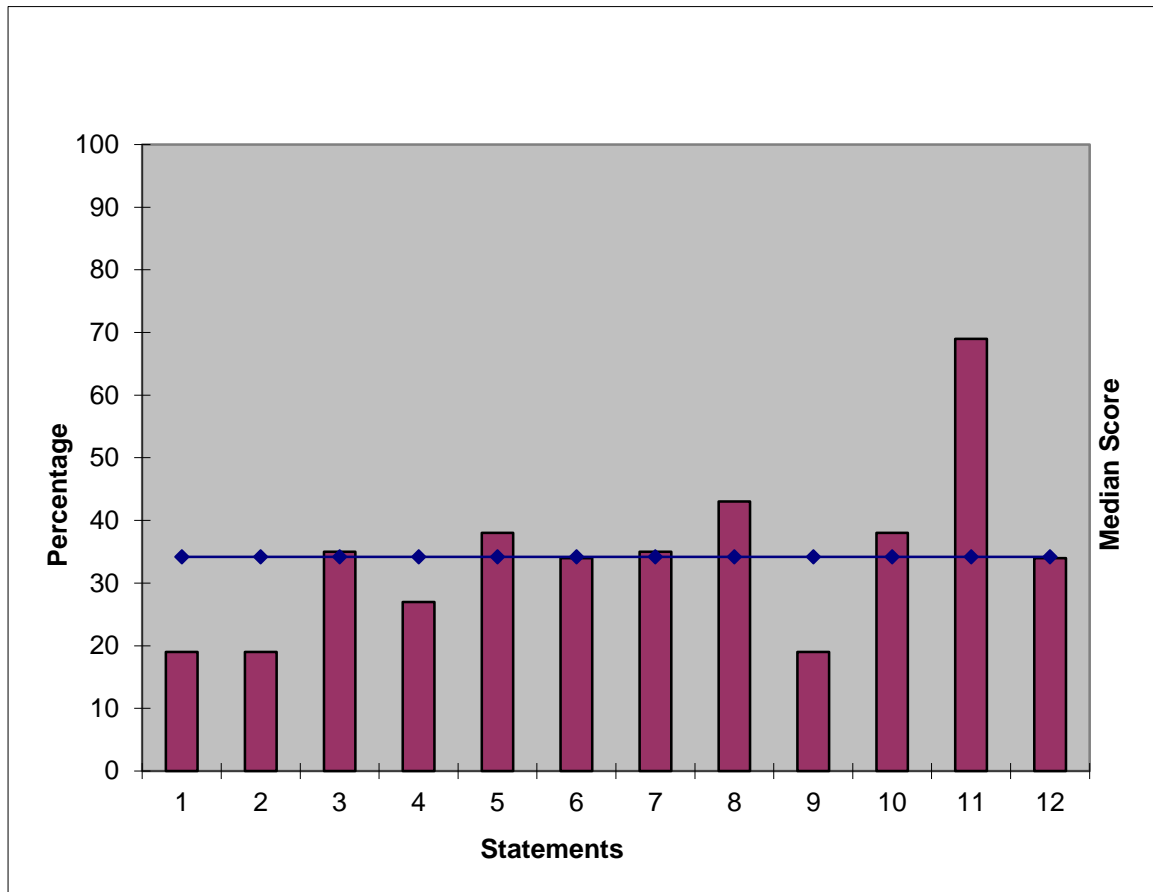


Figure 13: Management of human and financial resource of Mapela Agricultural cooperative

Source: Own Calculations

Notes: 1.The board/committee members have adequate competencies and skills to perform their tasks.

2. We have a training programme for our elected board/committee members.

3. Recruitment of staff / facilitators follows transparent procedures that are known to the members.

4. Our facilitators have adequate qualifications and skills to perform their duties.

5. The committee and members regularly evaluate the performance of our advisors.

6. We write down important financial data of the organisation.

7. Our organisation has a manual describing how money is handled.
8. Important documents are well kept.
9. Our organisation can function well without outside financial support.
10. When the organisation needs to buy something, the procedures for the procurement of goods and services are transparent.
11. Our group has a bank account.
12. Every year the board/committee explains how resources and income of the organisation have been used.

The median score for the management of human and financial resources is 34, ranging from 29 to 69. The statements that scored equally and above the mean are transparent recruitment of staff (3); committee and members regularly evaluating the performance of advisors (5); keeping data of financial of the organisation (6); the manual on how money is handled (7); keeping of important documents (8); procedure for the procurement of goods and service is transparent (10); cooperative having a bank account (11); and board of directors' account on how resources are used (12). The above results give the board of director's credit because human and financial resources are basic for the inception of the business entity. The highest scoring indicator above 50% is the cooperative having a bank account (11) with (69).

The performance indicators that scored above average are not convincing since the majority of the indicators scored less than 50% and this can lead to mismanagement of funds, poor recruitment systems and lack of evaluation of advisors. It is, however, recommended that the board of directors have a fair recruitment plan with a monitoring strategy and development of the procurement strategy.

Cooperative members are very concerned with the competency of the committee members (1) and there is no training programme in place to further capacitate them (2), while their skills competency is not sufficient (4) to manage the Mapela cooperative and grow into a commercial agricultural sector. However, the standard deviation is 1.1, which is considerable taking into account the distressed situation of the cooperative. The financial dependency syndrome is still prevailing in the cooperative as supported by the statement that the cooperative cannot operate without financial assistance (9). The average score of 34 implies less economic growth and member development of the cooperative and thus requires urgent intervention by developing training programmes on human and financial resource management as shown in Figure 13.

Kherallah and Kirsten (2002) stress that access to start-up capital, knowledge and training in business management, marketing and assertiveness towards work as the causes of non-performance of the cooperatives. The above findings prove that no training is in place for the committee members. Collective action in general faces challenges that include sharing common interests with members; conflicting interests tend to be a major problem and the cost of running the collective action is often high (Olson, 1965). Similar to the research findings Simelane (2011) points out that the developmental programmes in developing countries are designed to develop smallholder farmers who are unable to do so, especially at the initial stage.

Furthermore Mohamed (2004) discovered that the majority constraints of cooperatives involve a lack of access to finance, lack of trust that results in poor

quality of services provided, lack of professional management, misappropriation of funds, low commitment and participation by members, lack of timely market information and a high price of agricultural inputs.

The competencies and skills of the board of directors (1) are below average (34) and supported by Kispal-Vitai (2012), stating that competent professionals migrate from rural to urban areas.

4.2.5. Collaboration and alliance

The ratings of the respondents' perception of the performance of Mapela cooperative regarding collaboration and alliance, using eight statements considered in this research are shown in Figure 14.

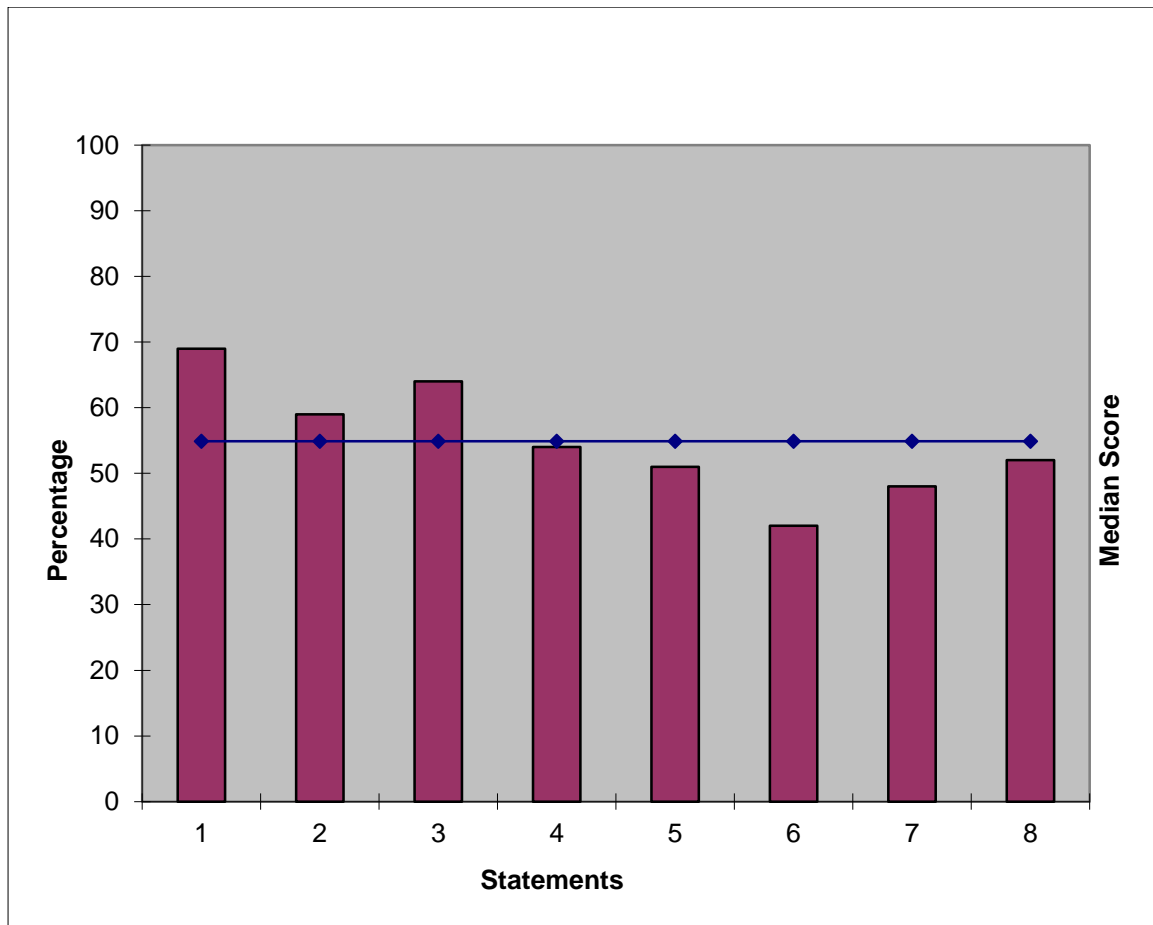


Figure 14: Collaboration and alliance of Mapela Agricultural cooperative.

Source: Own Calculations

Notes: 1. Our organisation is legally recognised.

2. If we want something to be done we seek collaboration with others.

3. We work together with local authorities.

4. We approach researchers and extension workers to find solutions to some of our problems.

5. Our organisation works together with non-governmental organisations and projects.

6. Our organisation has formal relations with private enterprises.
7. Our organisation actively participates in meetings of other organisations.
8. We exchange our experiences with other producers.

The collaboration of the Mapela cooperative shows that members are aware that they are legally recognised, and are aware of the importance of patronage and good working relations with the tribal authority as indicated in Figure 14. The median score is 55, which is better compares to other indicators with an average score of less than 50. The minimum score is 42 and the maximum score is 69. The standard deviation is 1.1 indicate the less misunderstanding between the members. Indicators above the average show that members are aware of the cooperative's legal status (1); ability to seek collaboration (2); and work closely with the local authorities (3). The above results indicate that the cooperative is legally registered and has sound working relations with the local key stakeholders (e.g. local authority). However, it is illegal to operate with a cooperative name while not registered with the Companies and Intellectual Property Commission. It is recommended that the cooperative improve the collaboration with other stakeholders for maximum performance of the cooperative. There is less participation and exchange of ideas (7 and 8), which implies poor networking of agricultural stakeholders. There is a lack of contractual obligation due to stringent requirements of the market or strategic partners. However, it is rational to have formal relations with relevant stakeholders with attached responsibilities for possible solutions.

Van der Heijden *et al.* (2010) and Jordaan *et al.* (2014) emphasise a lack of support services as the other field affecting the performance of the cooperative. The coordination between cooperatives is influenced by two variables, namely

trust and dependence (ICA, 1995). However, the cooperative is legally recognised and characterised by a strong element of collaboration.

4.2.6. Service provision to members

The average scores of the ratings of the respondents' perception of the performance of Mapela cooperative service provision using nine statements in this research are shown in Figure 15.

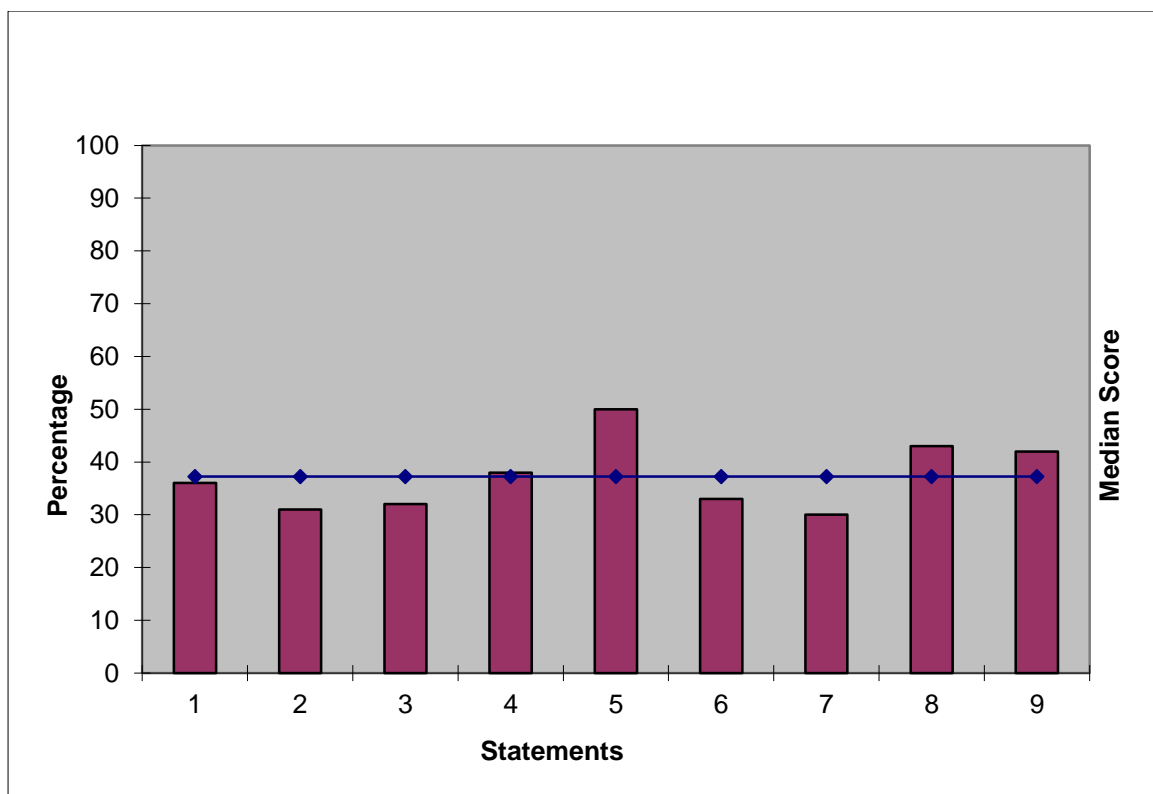


Figure 15: Service provision to members of Mapela Agricultural cooperative

Source: Own Calculations

Notes: 1. The services of our organisation respond to the needs of its members.

2. Our organisation defends the interests and needs of the members.

3. Our organisation is efficient in providing information and training to members.

4. Thanks to our organisation we can have inputs (seeds, fertilizer, pesticides) we would otherwise not have.
5. We collectively sell our products through our organisation.
6. Our organisation facilitates access to credit and other financial services.
7. Our organisation asks its members if they are happy with the services that are provided.
8. Our organisation timely produces activity reports and/or discusses the activities during official meetings.
9. If I were not member of the farmer group, I would earn less.

The members scored the median of 37, which is very low as shown in Figure 15. The scores range from a minimum of 30 to a maximum of 50. The board of directors does not defend the interest and needs of its members (2). This is why members are not happy with the service they receive (7). Capacity building is also a limiting factor (3) that affects the rational operation of the cooperative and there are no ways that the needs of the members can be met (1), which poses a serious threat and needs some strategies to revisit grey areas of the cooperative. The majority of the respondent scored fairly the results due to the standard deviation of 1.1.

The above results imply that the cooperative is not satisfied with the service rendered by the board of directors because they do not defend their interests. The board of directors might be fulfilling their interests and misrepresent the cooperative, which eventually leads to limited support from the non-board members. The statement to which the respondents agreed the least relates to the degree to which the organisation asks its members whether they are satisfied with the services provided (7) and needs the immediate intervention for the cooperative to improve its service to members. However, the members prove to

be partly satisfied with the service they receive in terms of the cooperative collectively selling its products (5). The statements that scored above average are below 50%, indicating that there is much that needs planning, access to finance, financial reporting and evaluating themselves by asking members if they are satisfied with the service (Gassan 1977a; 1977b). The members' needs and interest are linked to socio-economic pressure (youth unemployment and value added infrastructure) that can also be used to give a final indication of member satisfaction (Dakurah *et al.*, 2005). The monitoring and evaluation system needs to be developed to track the milestone of the cooperative and to ensure improved service to members.

4.2.7. Production and production risk

The average scores of the ratings of the respondents' perception of the performance of Mapela cooperative production and production risks using the twelve performance areas considered in this research are shown in Figure 16.

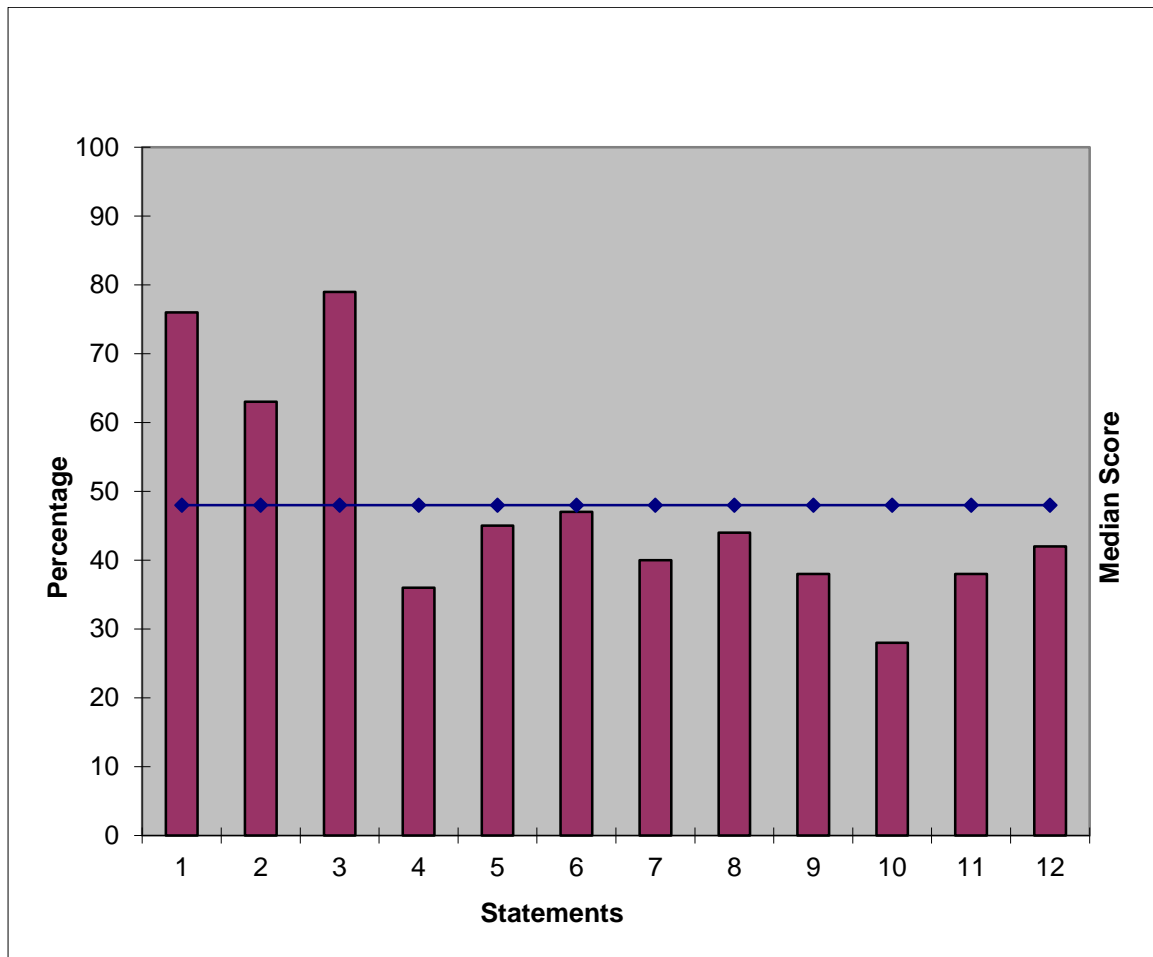


Figure 16: Production and Production risk of Mapela Agricultural cooperative

Source: Own Calculation

Notes: 1.Our land is suited for growing/rearing the enterprise.

2. The production of enterprise takes a large part of our land.

3. We can produce enough products even if the rains are bad.

4. Even with small production we make benefits.

5. The costs of production inputs are low

6. If my harvest fails I do not need to deliver products to the firm.

7. Our production is predictable: we know how much we will produce.

8. I am sure of producing good quality.
9. We know how much the firm wants to buy from us.
10. The company provides all necessary inputs we need for the production of the produce.
11. If I need I can get credit at the bank to finance production costs.
12. We know the quality requirements of the firm.

Figure 16 shows the median score of 48, with the minimum score of 28 and the maximum of 79. The members of the co-operative show great unhappiness with return on investment (4) and high input costs (5), with unsecured product quality (8) and market (9). The status of the cooperative shows that members' financial muscle is weak since they cannot provide all necessary inputs for production (10). It is further supported by the same respond from the farmers with the standard deviation of 1. The above findings explain the high debt of the cooperative since they cannot afford the daily operations of the enterprise without the assurance of the quality and the market of the products. The above uncertainties suggest that market research needs to be done for suitable commodities; sufficient funding of production needs to be secured; and technical support needs to be obtained for good quality produce to commercialise the cooperative operation.

However, members are fairly happy with resources acquired from the tribal authority (arable land) (1), whereby the production of *enterprise* takes a large part of our land (2). Limpopo province is characterised by low rainfall patterns and the occasional high rainfall does not affect the targeted yield. The result implies that there is sufficient land without a proper plan on how to invest optimally and ensure better yields. The recommendation of the cooperative is to utilise the limited land, guided by the market quality and quantity demand and availability of the funding.

The poor performance of a cooperative is caused by a lack of necessary inputs and the inability to source funding from financial institutions.

4.2.8. Relationship between farmers and buyers

The ratings of the respondents' perception of the performance of Mapela cooperative regarding the relationship between farmers and their buyers using twelve variables considered in this research are shown in Figure 17.

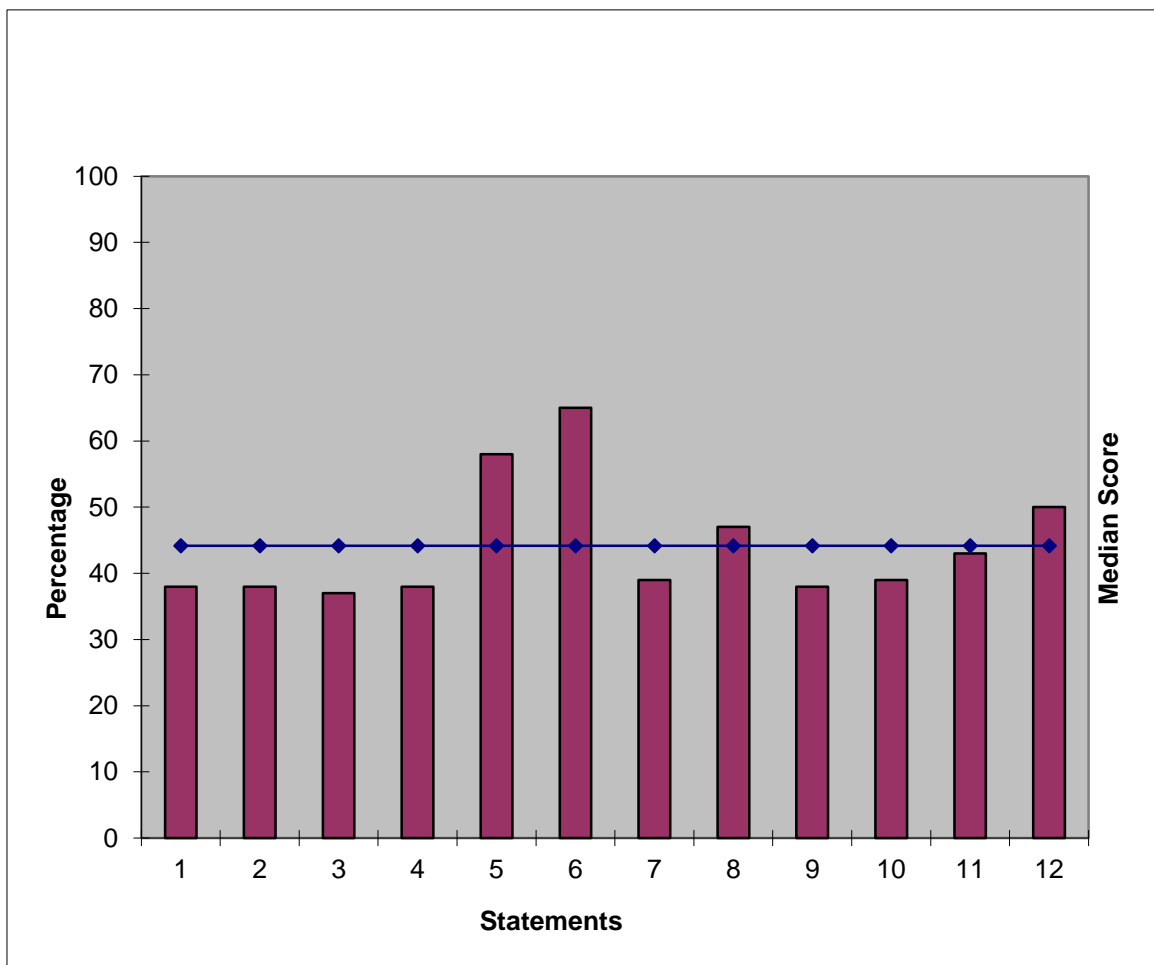


Figure 17: Relationship between farmers and buyers of Mapela Agricultural cooperative

Source: Own Calculations

Notes: 1. I know precisely what is written in the contract we have with the company.

2. I know how the cooperative is adding value to produce.

3. I am happy with the price that is paid for the products.

4. I understand the reasons when the firm changes the price they pay for our products.

5. The better the quality of the products results in the higher the price I get.

6. If I deliver more, I get a higher price per kg (premium).

7. I am happy with the current method of payment.

8. We control the quality of the products before delivering them to the company.

9. We get sufficient training from the cooperative to produce more and higher quality.

10. We always deliver our produce on time at the collection points.

11. We have books where we write down the quantities of products that we delivered.

12. We accept it when our products are rejected because of insufficient quality.

The responses to the question on the relationship between farmers and buyers showed the median score of 44, with the highest score of 65 and the lowest score of 38. The standard deviation of 1, signify having the same understanding and respond of the questions. A small-scale emerging cooperative does not have any formal relation with stakeholders (1) or the processing facilities to add value to their produce (2). The macroeconomics (Consumer Price Index) does not affect the daily operative and that is why the inflation/price changes (3 and 4) affect less business income or loss. In some cases farmers are not satisfied with payment to the bank (7) since they believe that the bank overcharges them for services. Due to a lower literacy level and limited training (9) in the farming/business sector, farmers normally do not register the products per cycle (11).

There is a tie on score 38 on the content of the contract (1); the urgency of the value adding infrastructure (2); reason for the price change (4) and lack of capacity development (9), which signifies the common understanding of the contract and its contents. It is clear that the cooperative is somehow operating in non-formal business ethics that will lead to the loss of viable or bankable strategic partners, resulting in co-operative redundancy. Remedial actions include training members on business consciences and running the cooperative as business rather than as wealth. However, the opportunity of value addition is overlooked by most primary cooperatives, which is closer to the mainstream economy for most producers.

Small scale farmers' involvement of Agricultural processing is the only solution to secure formal market contract (Baloyi, 2010). It is further underscored that high value crops in a value chain warrant a better price for the products, while Mapela cooperative is dissatisfied with the price paid to their products due to normal crops and no value addition in the cooperative. The shortage of a value chain tends to put pressure on cooperative decision-making (Condo and Vitaliano, 1983), but the cooperatives responded positively to accepting their produce when they are considered rejects.

4.2.9. Default

Figure 18 shows the mean score of the ratings of the respondents' perception of the performance of Mapela cooperative regarding default, using thirteen statements to validate the analysis.

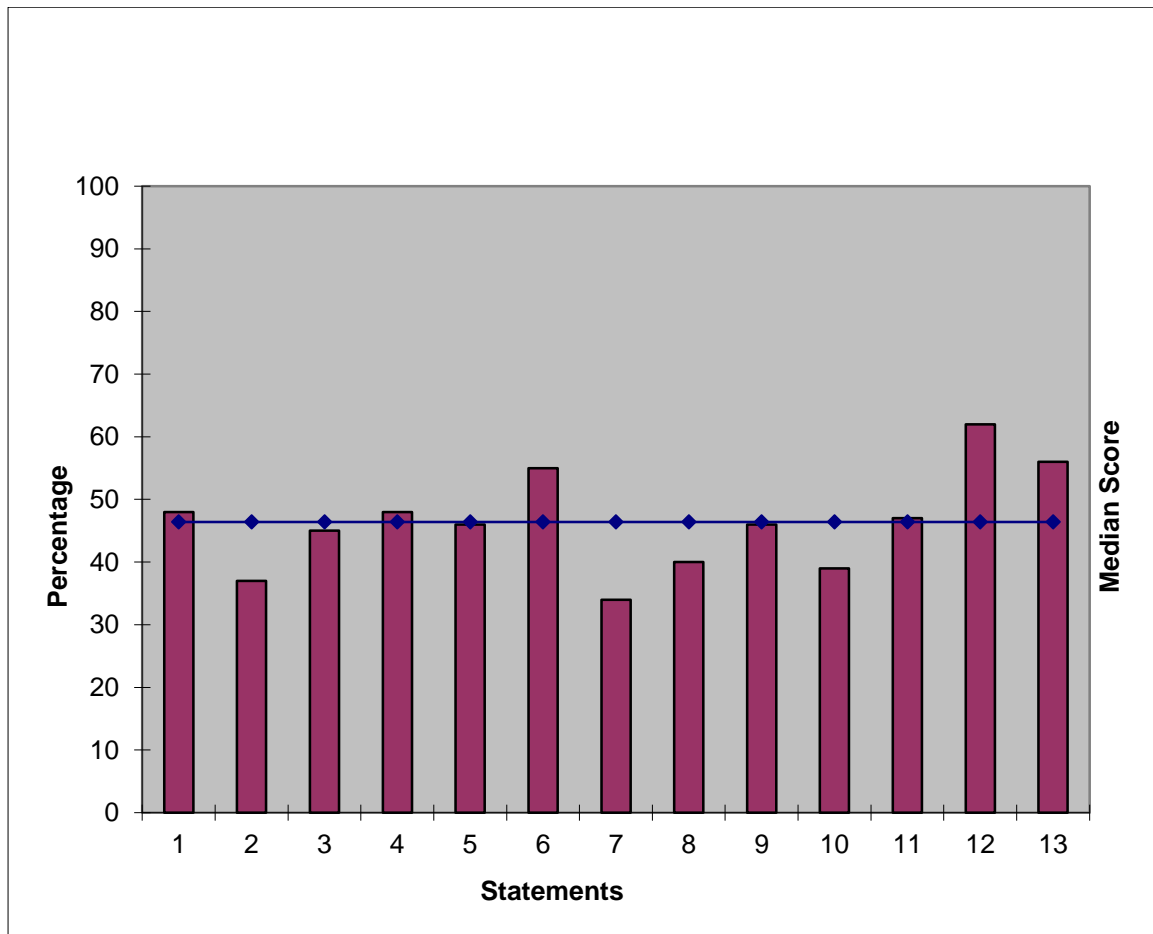


Figure 18: Default of Mapela Agricultural cooperative

Source: Own Calculation

Notes: 1. We do not have outstanding loans with the co-operative.

2. The co-operative always delivers the inputs according to the contract.

3. We do not have to wait long for the company to collect the produce.

4. If a member of our farmer group delivers to another buyer, he will be kicked out.

5. I do not have to wait long to get paid for the produce I delivered.

6. The sale of the produce is my most important source of income.

7. The cooperative does what it promises to do.

8. The contract is clear about how to handle disputes.
9. If there is a problem, we first openly discuss matters with the company staff.
10. If I sell to another buyer my farmer group will no longer be able to sell to the current company we do business with.
11. I would be happy to contribute some money per kg for the benefit of my farmer group.
12. If the prices agricultural produce go down in the rest of South Africa, the cooperative will sustain a big loss.
13. If another cooperative would offer a better price, we would sell to that cooperative.

The performance of the stakeholder collaboration shows a maximum score of 62 and a minimum score of 34, with the median score of 46 as shown in Figure 19. Mapela cooperative does not have a formal relation with other stakeholders where it can be charged for defaulting, which is supported by the fact that their delivery is not binding (2); and collection is any time (3).

The cooperative does what it promises to do (7), with the score (34) still below the average score (46), which implies fewer member expectations. The conflict or dispute with external stakeholders is very limited since there no service level agreement between the Mapela cooperative and the market has been entered into (10). However, there is still a challenge on the expectations of the cooperative to members, while the other contributing factor is the cooperative meeting its contractual obligations. The above results are supported by the standard deviation of 1.5, vindicating the fact that members have different view on default.

The implication is that there is no formal relation with stakeholders which results in unmarketable produce and low price paid to the cooperative.

Formalising business deals, like securing the contract, will help improve the produce of the cooperative that will result in better price paid to the members.

Nonetheless, members scored above average on the lack of outstanding loan repayments (1); free marketing arrangements (4); awareness that the sole source of income is sales (6); individual financial injection into the co-operatives that can boost the returns (11) and the global market of the agricultural produce that has an effect on their local price (12).

The solution to the above results is that members need to source financial injection or give individual financial support for the smooth running of the cooperative. To minimise the impact of the global market price on the price of the cooperative produce, farmers need to have future contracts, both locally and nationally.

Baloyi (2010) has found that the value chain approach can help farmers access credit/loans. Louw *et al.*, (2008) show how stringent requirements of agricultural have caused small firms and farms to go out of business under the new competitive pressures, resulting in the exclusion of domestic firms. Cooperative advantage drives the cultural values in collective action, which influences decision making in the business (Kispal-Vitai (2012),

The other technique that was used to investigate the status of Mapela Agricultural cooperative was to ask the following questions from the members:

1. Does the cooperative have the business plan?
2. Are the products prices according to demand and supply principle?
3. Does the cooperative have the property rights?

The motive for selecting the above question is that they are the pillars of the business and failure to have one can lead the business to solvency or liquidity. The feedback from the members (20) indicates that, 40% of the members does not have or know the business plan and 60% have or know the business plan. On the pricing of the products, 65% of the members said the produce are not priced according to demand and supply principle, and 35% of the members said yes produce are priced according to demand and supply principle. The results of the property rights indicate that 80% of the members are convinced that they have they have property rights and 20% of the members do not have property rights.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

This chapter outlines the problem statement, the aim of the study, the conclusion and makes recommendations for the success of agricultural cooperatives to meet members' expectations.

5.1. CONCLUSION

The government/stakeholders consider cooperatives as the catalyst in addressing social dilemmas and in improving the economic status of developing areas. Resources (money and training) have been spent, trying to develop cooperatives so that they can meet the members' expectations. Various researches have conducted a study on the poor performance of smallholder farmers' cooperative and the focus was more on external factors than internal factors, like a lack of transparency, abuse of power, etc. The limited internal cooperative information requires intervention in the form of research to find out why members are not satisfied with the performance or the services rendered by their cooperative.

Hence the aim of this research is to explore the level of members' satisfaction regarding the service rendered by the board of directors as democratically empowered by members. The identified areas of study to investigate the

performance of the cooperative as expected by ordinary members include the member base; governance and internal regulation; the management of human and financial resources; collaboration and alliance; service provision to members; production and production risk; the relationship between farmers and buyers and default risk, etc. The performance of the cooperative in all the assessed have scored well below 50%, which means unhealthy business feedback for cooperative members. Generally, all the assessed areas have low scores, which imply that members of the cooperatives do not enjoy the benefits of the collective actions. The concluding remarks below give the specific statement results.

The membership base indicates the weak point: smallholder cooperative membership is closed, especially to community members and they are not willing to seek advice from other members. Considering the fact that business exists within the community that must have the concern of the community, it is critical that potential members, especially the youth, be seconded to the cooperative as business. The communication in the cooperative is very poor, which leads to poor participation of members because they are not informed of other activities, like financial contribution and meetings of other organisations. The feedback that goes to ordinary members is that the board of directors operates in isolation from the members and do not update them regarding cooperative activities.

However, the documents like the business plan and statute, which indicate the objectives of the cooperative, are well kept and shared with the members, since they have obtained a higher than the average score. It is evident that cooperative members have documents that they have read once or have not had time to

revise. The low score on the membership base implies that a succession plan for the cooperative is not in place and the level of education is low, which hinders the future prospects of the cooperative. Active members with financial contribution to the cooperative can be kept as labourers; pensioners with or without financial contribution to the cooperative must just be shareholders to avoid that an exorbitant number of members exceeds the activities of the cooperative.

The governance, leadership and internal democracy assessment area indicate the low scores which imply the members are not aware of internal regulations. The board of directors are also not performing their functions as mandated. The annual plans of cooperatives are not drawn or reviewed. The conclusion is that a cooperative is formed for the people and it is not because of their own initiative; this is why there is no plan of action or follow-up for future development. The decision by the Companies of Intellectual Property Registration Office (CIPRO) to dissolve the dormant cooperative has minimised a large number of cooperatives existing in the vacuum. Furthermore, the results indicate that there was no strong element of commitment from the members and a lack of business ownership.

Cooperative members have a good grasp of the responsibilities and term of office of the board of directors since they scored above the average on this variable. The performance area is very critical for the success of the cooperative and continuous training of members is a pre-requisite for the cooperative to fulfil its objectives.

The management of human and financial resources indicates very low scores, which implies that capacity building is still a problem because most members do not have the skills or qualifications to perform their duties. Relevant institutions must be consulted to acquire their training needs. The scores below average indicate that a cooperative cannot function without the financial support from external donors, which signifies the financial dependency syndrome of the cooperative. The ideal is that the cooperative draws the viable business plan/model that will sustain the business. The cooperative members must have confidence in taking positive risks, like a production loan and be prepared to repay the loan. The human and financial elements are prone to socio-economic influence, which means cooperative members must have a clear understanding of the community dynamics. The majority of cooperative members have indicated that they are aware of the existing bank account and the procurement processes are transparent. The existence of a bank account has a higher score, which means that the prerequisite for possible investors is solved quickly and members take advantage of opportunities of funding, even though they make no or a small financial contribution to the business.

Cooperative registration as legal entity under collaboration and alliance has the highest score above 55%. The working relation with the local authority is very good (above average), which means that the closer stakeholders (local authorities) have the advantage of the land ownership and residing together with cooperatives, which makes contact and monitoring easy. The scores below average indicate that members do not have a good working relation with the private sector, possibly because they do not derive direct benefit for the cooperative.

Service provision to members scored very poorly on four assessment statements, which include the facts that the cooperative does not defend the interest of the members; lack of information and training to members; the members cannot provide means to accessing finance; very critical is that they do not consult with the members if they are satisfied with the service they receive. The results showcase the fact that the board of directors' work to achieve their individual needs since there is no capacity development in place; they do not consult the members they render a service to. However, members are fairly satisfied with collective marketing and reports discussed during official meetings.

The production risks identified include high production costs and the unpredictable quantity and quality yield due to unforeseen climatic conditions as reflected by a score below average. The uncertainty of production yield minimises the chance of cooperative members to access credit for production. It means that the members need to venture into another system of production that will guarantee yield and a secured income for the sustainability of the cooperative.

The relationship between farmers and buyers also shows a very low score, and most questions were scored below average. The basic content of the contract, product preferential (value addition), price determination and payment method are not known by the members who are expected to found their own business and thus the problem lies not with the buyer or partners, but the members themselves are not geared to be entrepreneurs; instead they are normal employees of the cooperative and do not share the risk in the business. Co-

operative members are confident that a better quality and quantity of produce has an impact on the price/income they receive from produce sales.

The default risks of the cooperative obtained a low score, which implies that the members are not satisfied with the content of the study area. Members do not meet the contractual obligations because the contract is either not clear or not clearly presented to members. The other possibility is that the low literacy level of the members has an impact on the understanding of contract details. Cooperative members are at liberty to sell their produce to any other consumer, which eventually compromises the price they receive for produce, unless the consumer offers a better price for the products.

However, members are somewhat confident since they do not have an outstanding loan with any bank; the possibility is that some credit is obtained from local retailers.

5.2. RECOMENDATIONS

5.2.1. Recommendation to Mapela Agricultural cooperative

The recommendations are presented and discussed according to the eight performance criteria.

Membership Base

The performance area can be improved only by recruiting new members who can bring innovative ideas and have continuous training or revision of the

constitution. The succession plan can be drawn where members can engage the youth who can read and write so that they can develop a report for internal and external use.

The cooperative must develop the self-help character whereby all members have mutual/democratic agreement of financial contribution timeously to boost the financial muscle of the running of the cooperative regardless of the credit or grand funding awarded to the cooperative. Financial contributions also serve the purpose of commitment to the enterprise.

The numbers of the cooperative members seem to be exorbitant, resulting in other members not fully participating in the organisation. The remedial can be that the cooperative have a management committee that reports to the board of directors.

Governance and internal democracy

Internal regulations are documented and not discussed with other cooperative members. The board of directors take their own decisions when consulting other members. The results indicate the critical need to have an annual meeting whereby collective decision is taken democratically and internal regulations of the organisation agreed on.

Furthermore, it is the responsibility of the board of directors to evaluate the results on an annual basis and design democratic action plans that will help them in measuring the cooperative's progress and make intervention where there is deviation of the agreed plan.

Management of Human and Financial resources

For the cooperative to develop into the commercial sector, there is a critical need to have members with certain levels of qualification, depending on the position held by the committee members. The committee members need to consult with the relevant stakeholders to acquire the available training in order to manage the cooperative.

The cooperative must have a manual describing how money is handled or spent that will sustain the financial muscle of the cooperative and minimise financial dependency. The development of a viable business plan will also help them to acquire the loan rather than grant funding. The co-funding system can also help since cooperative members contribute a certain percentage of finance to the business.

The engagement of the members in the planning/inception phase of production can boost the morale and perception of members relating to the financial performance of the cooperative.

Collaboration and alliance

A cooperative is registered as legal entity and needs to develop the formal working relation with stakeholders for technical support, financial support and marketing arrangements to ensure a joint effort in the running of the cooperative. The stakeholders' relationship must be developed, their interests identified and formalised. The interaction will boost the cooperative to share experiences with other successful entrepreneurs and improve where there are

grey areas. The exchange of goods and services within the cooperatives will minimise cost and improve collaboration.

Service provision to members

There must be a mutual agreement regarding the activities of the cooperative to ensure that the needs and interest of the members are catered for. The business plan can be used as the mutual document will contain expected returns. It is of paramount importance to review the business plan to update other members of changes in case of changes. A suggestion box must be installed in the cooperative so that the board of directors can get feedback from the members on their expected deliverables.

Production and production risk

Land seems to be abundant for farming and a cooperative needs to venture into profitable enterprise to ensure positive returns. A cooperative must seek production contracts that will help it in guaranteeing the market and sourcing funding from the financial institutions, and in buying bulk of inputs from the suppliers to negotiate discount. The moral hazard is risky for farmers and the erection of the basic infrastructure (e.g. tunnels) will minimise the moral hazard risk.

High value crops or diversification of the business in this regard will also minimise the risk factors and ensure that there are positive returns in the business to sustain and meet members' expectations.

Relationship between farmers and buyers

A cooperative must have a signed contract in case of a potential partner to ensure correct quality, and quantity and price of the product. It is usually recommended to have a monitoring system during the duration of the contract to avoid penalties or disappointment at the end of the contract. A custodian of the cooperative must be co-opted to help in analysing the legalities of the contract of the strategic partner. In addition the value adding opportunities can also help members realise their dream due to increased income, resulting activities and job creation for the unemployed community members.

Default Risks

Cooperative members do not have contractual obligations during production. It is critical that they abide by the contractual arrangement should they have a strategic partner interested in investing in their business. It is critical that a strategic partner present the contract in the presence of the board of directors and members to avoid misunderstanding during the implementation phase.

5.2.2. Recommendation for further research

Based on the eight areas of assessment researched and results, I have found that there are no systems in place to monitor the internal performance of a cooperative. A board of directors and ordinary members are on their own and care less about the amount of investment done by the stakeholders.

Similar research can be conducted in other provinces to supplement the achieved results in Limpopo province and suggest a system from stakeholders'

side to monitor the internal factors or members' perception of the agricultural cooperative as the business opportunity for the developing areas.

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APPENDIX

Appendix A. STRUCTURED QUESTIONNAIRE

Questionnaire

Below you will find a list of statements. For every statement please decide and determine to what extent you disagree or agree on the statement. Please give a score ranging from 0 to 5. A score of '0' means: *I totally disagree on the statement*. A score '5' means *I fully agree on the statement*. The scores 1, 2, 3 and 4 are in-between.

Please indicate the scores you give clearly (circle the chosen scores). Please answer all statements.

RESPONDENT

Scores	0	1	2	3	4	5
	Totally disagree	Strongly disagree	Disagree	Agree	Strongly agree	Fully agree

No	Statement	Score					
1 Membership base							
1.1	Our farmer group has clearly formulated the objectives it wants to reach.	0	1	2	3	4	5
1.2	These objectives are shared with all individual members.	0	1	2	3	4	5
1.3	The conditions for adhering to our organisation are clearly defined.	0	1	2	3	4	5
1.4	In our community all people who want to can be member of our farmer group.	0	1	2	3	4	5
1.5	Our organisation actively seeks the membership of new members.	0	1	2	3	4	5
1.6	We have a member register that is up-to-date.	0	1	2	3	4	5
1.7	Internal communication within our organisation is well organised: members are well informed.	0	1	2	3	4	5
1.8	All members regularly pay their membership fees and other contributions.	0	1	2	3	4	5
1.9	All members actively participate in the activities of our organisation.	0	1	2	3	4	5
2 Governance, leadership and internal democracy							
2.1	The internal regulations of our organisation are well documented.	0	1	2	3	4	5
2.2	All members know the internal regulations.	0	1	2	3	4	5
2.3	The statutory bodies of our organisation (general assembly, committee/ board, etc.) function according to their mandates.	0	1	2	3	4	5
2.4	The members of the board/committee are democratically and transparently elected.	0	1	2	3	4	5
2.5	The duration of the mandate of a leadership position is well defined.	0	1	2	3	4	5
2.6	Criteria for being a good chairman are clearly spelled out.	0	1	2	3	4	5
2.7	Somebody who cannot write cannot become a secretary.	0	1	2	3	4	5
2.8	We have elected a treasurer who can maintain the books.	0	1	2	3	4	5
2.9	Women and youth are sufficiently represented in the elected bodies of our organisation.	0	1	2	3	4	5
2.10	Important decisions are taken during meetings during which everybody can share his or her point of view.	0	1	2	3	4	5
2.11	Every year our organisation elaborates on an annual plan that indicates what we are going to do.	0	1	2	3	4	5
2.12	Every year we evaluate the results that we have obtained.	0	1	2	3	4	5
2.13	Board/committee decisions are immediately followed up and are implemented.	0	1	2	3	4	5
3 Management of human and financial resources							

No	Statement	Score					
3.1	The board/committee members have adequate competencies and skills to perform their tasks.	0	1	2	3	4	5
3.2	We have a training programme for our elected board/committee members.	0	1	2	3	4	5
3.3	Recruitment of staff / facilitators follows transparent procedures that are known to the members.	0	1	2	3	4	5
3.4	Our facilitators have adequate qualifications and skills to perform their duties.	0	1	2	3	4	5
3.5	The committee and members regularly evaluate the performance of our advisors.	0	1	2	3	4	5
3.6	We write down important financial data of the organisation.	0	1	2	3	4	5
3.7	Our organisation has a manual describing how money is handled.	0	1	2	3	4	5
3.8	Important documents are well kept.	0	1	2	3	4	5
3.9	Our organisation can function well without outside financial support.	0	1	2	3	4	5
3.10	When the organisation needs to buy something, the procedures for the procurement of goods and services are transparent.	0	1	2	3	4	5
3.11	Our group has a bank account.	0	1	2	3	4	5
3.12	Every year, the board/committee explains how resources and income of the organisation have been used.	0	1	2	3	4	5
4 Collaboration and alliances							
4.1	Our organisation is legally recognised	0	1	2	3	4	5
4.2	If we want something to be done we seek collaboration with others.	0	1	2	3	4	5
4.3	We work together with local authorities.	0	1	2	3	4	5
4.4	We approach researchers and extension workers to find answers to some of our problems.	0	1	2	3	4	5
4.5	Our organisation works together with non-governmental organisations and projects.	0	1	2	3	4	5
4.6	Our organisation has formal relations with private enterprises.	0	1	2	3	4	5
4.7	Our organisation actively participates in meetings of other organisations.	0	1	2	3	4	5
4.8	We exchange our experiences with other producers' organisations.	0	1	2	3	4	5
5 Service provision to members							
5.1	The services of our organisation respond to the needs of its members.	0	1	2	3	4	5
5.2	Our organisation defends the interests and needs of the members.	0	1	2	3	4	5
5.3	Our organisation is efficient in providing information and training to the members.	0	1	2	3	4	5

No	Statement	Score					
5.4	Thanks to our organisation we can have inputs (seeds, fertilizer, pesticides) we would otherwise not have.	0	1	2	3	4	5
5.5	We collectively sell our products through our organisation.	0	1	2	3	4	5
5.6	Our organisation facilitates access to credit and other financial services.	0	1	2	3	4	5
5.7	Our organisation asks its members if they are happy with the services that are provided.	0	1	2	3	4	5
5.8	Our organisation timely produces activity reports and/or discusses the activities during official meetings.	0	1	2	3	4	5
5.9	If I were not member of the farmer group, I would earn less.	0	1	2	3	4	5
6 Production and production risks. What is the type of the business enterprise?							
6.1	Our land is suited for growing/rearing the enterprise.	0	1	2	3	4	5
6.2	The production of enterprise takes a large part of our land.	0	1	2	3	4	5
6.3	We can produce enough products even if the rains are bad.	0	1	2	3	4	5
6.4	Even with small production we make benefits.	0	1	2	3	4	5
6.5	The costs of production inputs are low.	0	1	2	3	4	5
6.6	If my harvest fails I do not need to deliver products to the firm.	0	1	2	3	4	5
6.7	Our production is predictable: we know how much we will produce.	0	1	2	3	4	5
6.8	I am sure of producing good quality.	0	1	2	3	4	5
6.9	We know how much the firm wants to buy from us.	0	1	2	3	4	5
6.10	The company provides all necessary inputs we need for the production of the produce.	0	1	2	3	4	5
6.11	If I need, I can get credit at the bank to finance production costs.	0	1	2	3	4	5
6.12	We know the quality requirements of the firm.	0	1	2	3	4	5
7 Relationship between farmers and buyers							
7.1	I know precisely what is written in the contract we have with the company.	0	1	2	3	4	5
7.2	I know how the co-operative is adding value to produce.	0	1	2	3	4	5
7.3	I am happy with the price that is paid for the products.	0	1	2	3	4	5
7.4	I understand the reasons when the firm changes the price they pay for our products.	0	1	2	3	4	5
7.5	The better the quality of the products the higher the price I get.	0	1	2	3	4	5
7.6	If I deliver more, I get a higher price per kg (premium).	0	1	2	3	4	5
7.7	I am happy with the current method of payment.	0	1	2	3	4	5

No	Statement	Score					
7.8	We control the quality of the products before delivering them to the company.	0	1	2	3	4	5
7.9	We get sufficient training from the co-operative to produce more and higher quality.	0	1	2	3	4	5
7.10	We always deliver our produce on time at the collection points.	0	1	2	3	4	5
7.11	We have books where we write down the quantities of products that we deliver.	0	1	2	3	4	5
7.12	We accept it when our products are rejected because of insufficient quality.	0	1	2	3	4	5
8	Default						
8.1	We do not have outstanding loans with the cooperative.	0	1	2	3	4	5
8.2	The cooperative always delivers the inputs according to the contract.	0	1	2	3	4	5
8.3	We do not have to wait long for the company to collect the produce.	0	1	2	3	4	5
8.4	If a member of our farmer group delivers to another buyer, he will be kicked out.	0	1	2	3	4	5
8.5	I do not have to wait long to get paid for the produce I delivered.	0	1	2	3	4	5
8.6	The sale of the produce is my most important source of income.	0	1	2	3	4	5
8.7	The co-operative does what it promises to do.	0	1	2	3	4	5
8.8	The contract is clear about how to handle disputes.	0	1	2	3	4	5
8.9	If there is a problem, we first openly discuss matters with the company staff.	0	1	2	3	4	5
8.10	If I sell to another buyer my farmer group will no longer be able to sell to the current company we do business with.	0	1	2	3	4	5
8.11	I would be happy to contribute some money per kg for the benefit of my farmer group.	0	1	2	3	4	5
8.12	If the prices of agricultural produce go down in the rest of S.A. the co-operative will sustain a big loss.	0	1	2	3	4	5
8.13	If another co-operative would offer a better price, we would sell to that co-operative.	0	1	2	3	4	5

Appendix B. Mogalakwena Agricultural Collective Actions

Name	Area	Members	Type of farming	Status
1.Bakone ba kopane Goat Cooperative	Segole	12	Goat	Dormant
2.Makidikidi Manufacturing Cooperative	Bokwidi	5	Field crop	Active
3.Magoshi Animal Feeds Cooperative	Ga-Madiba	6	White Cluster Feed	Dormant
4.Malokong Agric. Cooperative	Pudi ya kgopa	7	Broilers	Active
5.Mokaba farmers Agricultural primary Cooperative	Ga-Mokaba	11	Vegetables and field crops	Active
6.Mapela Agricultural Cooperative	Mapela	60	Vegetables	Active
7.Balephondo Agricultural Cooperative	Jaagpan	5	Citrus and vegetables	Active
8.Hlahlolanang Agricultural Cooperative	Ga-Madiba	8	Vegetable and Broiler	Active
9.Kopotjanang Agricultural Close Corporation	Jaagpan	6	Broiler	Active
10.Mahlora Agricultural Cooperative	Moshate	6	Vegetables	Active

11. Phaphamang Agricultural Cooperative	Mapela	7	Aquaculture	Dormant
12. Manala Agric. Primary Cooperative	Harm village	15	Vegetables	Dormant
13. Bakone Barua Kgomo Cooperative	Lekhureng	18	Livestock	Dormant
14. Samuel and Gabriel Vegetable Project Cooperative	Mokamole	5	Vegetables	Active
15. Thabantsho Agricultural Cooperative	Ga-Mushi	7	Vegetables	Dormant
16. Motse Leope Farming Cooperative Ltd.	Mahwelereng	8	Vegetables	Dormant
17. Masipa Broiler Cooperative	Ga-Masipa	7	Broiler	Dormant
18. Agang Rebone Poultry Cooperative	Rebone	5	Broiler	Active

1.1. Background and Motivation

Smallholder agriculture is expected to be a major contributor to rural poverty alleviation in South Africa (Water Research Commission, 2007; Letsoalo and Van Averbek, 2005). According to the World Bank, supporting smallholder farming is the most effective way to stimulate economic development and reduce poverty (Unilever Company) and features well in government policy documents as a strategy to reduce rural poverty (National Planning Commission, 2011; Comprehensive Rural Development Programme, 2010). The nature of smallholder farming is such that these face major challenges to compete in a dynamic and very competitive market environment (Jordaan and Grove, 2012).

Experience gained particularly in East Asia and East Africa indicates that cooperatives are among the institutional arrangements that can help smallholder farmers overcome numerous constraints they face. Cooperatives have the potential to improve productivity in the smallholder sector as well as enhance market participation by farmers (Birtal, Joshi and Gulati, 2005). Some studies have suggested that collective action among smallholder farmers can enable them to attain economies of scale and hence improve their participation in markets (Okello, 2005).

Although cooperatives have had an unhappy history, especially in Africa, evidence indicates that they have the potential of linking farmers to markets by reducing transaction costs (Develtere, Pollet and Wanyama, 2008); (Ortmann and King, 2007). The government (Department of Trade and Industry) also introduced an incentive scheme to motivate smallholder farmers to organise themselves into farmer cooperatives. This is in line with developments in other developing countries (Chibanda, Ortmann and Lyne, 2009).

The total number of cooperatives registered in South Africa in 1995, 2005 and 2010 increased from 1 444, 4 210 to 43 062 respectively (The Dti, 2012). Limpopo province has 127 agricultural cooperatives registered in CODAS (Co-operative Data Analysis System). This province has the cooperatives (42) funded with R36 million. A total of 488 cooperatives have benefited from the Cooperative Incentive Scheme (CIS), (R92 523 million) and 230 Agricultural co-operatives benefited, constituting 47% of the budget; R25 million was spent in Limpopo province (The Dti, 2012). Thus the South African government has invested substantial amounts of money in smallholder farmer cooperatives.

1.2. Problem Statement

Despite government spending substantial amounts of money and training programmes on smallholder farmer cooperatives in South Africa through incentives and support services, the performance of such cooperatives remains poor. The investment in smallholder farmer cooperatives thus proves not to generate the expected returns for the smallholder farmer members and stakeholders.

The topic of the poor performance of smallholder farmer cooperatives has received some attention by other researchers in the past years. Challenges that were identified in such research include, among others, the lack of good practice and ethics of managing agricultural cooperatives by the board committee that often carries out its functions with little or no respect for accountability or transparency. Misuse of authority and group finance by the leaders minimises trust and is alleged to be a reason for the ineffectiveness or poor performance of agricultural cooperatives (Norbu, 2008). Pre-structural adjustment cooperatives in developing and centrally planned economies have proven to be largely ineffective and unsustainable (Deininger, 1995; Swinnen and Maerstens, 2007). Review articles on different agricultural cooperatives in developing countries (Barham, Chitemi, 2009; Markelova, Meinzen-Dick, Hellin, Dohrn, 2009) conclude that the success of cooperatives depends on the characteristics of the group as well as on the type of products and markets. It has been suggested that cooperatives are more successful in high-value products and less in the grains/legumes market (Bernard, Spielman, 2009).

Other researchers have focused on institutional challenges when assessing the performance of smallholder farmer cooperatives (Narro, Devesh, OKello, Vendano, Rich and Thorat, 2009). Studies by several organisations have found mixed performance of producer organisations in improving smallholder farmers' access to markets (Obare, Shiferaw and Muricho, 2006). Recommendations by researchers include changing the institutional environment without considering the members' perception of the functioning of their agricultural cooperatives.

Thus performance is measured mainly from the perspective of agents external to the cooperatives themselves. The element that is not addressed in most literature is the degree to which members are satisfied with the service they receive from their organisation – hence their need for the management of the cooperative to change to better meet their expectations. Currently there is no information on the degree to which the members of smallholder cooperatives are satisfied with the functioning and management of their cooperative. The research questions that will give evidence to the study is the Membership base; Governance, leadership and internal democracy; Management of human and financial resources; Collaboration and alliances; Service provision to members; Production and production risk; Relationship between farmers and buyers and Default.

1.3. Aim and Objectives of the Study

The aim of this research is to explore the level of satisfaction of members of a smallholder farmer cooperative in terms of the degree to which the cooperative management delivers on its mandate to serve its members. The areas of study investigated include the membership base; governance and internal democracy; management of human and financial resources; collaboration and alliance; service provision to members; production and production risk, and the relationship between farmers and buyers, as well as default. The explicit research question that will be tested is the “Management of human and financial resources” by comparing the results two different collective action (Mapela and Koputjanang). The criteria for selecting the two is that Mapela Agricultural cooperative performed the lowest in terms of scores in all assessment areas and Koputjanang Close Cooperation performed the best in terms of scores in all assessment areas.

Secondly, Mapela Agricultural Cooperative is legally registered as cooperative and Koputjanang is legally registered as Close cooperation.

The results of the analysis should help cooperative members understand the status quo of their cooperative, and further understand the deliverables or capacity of the board of directors as mandated by the democratic decision made by smallholder cooperatives considering the limited resources that they have acquired, either from stakeholders or their own contribution.

Secondly, the research results will also guide the developmental programmes (NDP, The Dti, etc.) on the best practice that can be adopted to enhance the performance of the cooperative in South Africa. Thirdly, the results will uproot cooperatives grey areas that need to be corrected to remedy the non-satisfactory performance of the cooperative.

1.4. Scope of the Study

The research information will be collected from a sample of eight collective actions in Mogalakwena Municipality (Limpopo province) through designed questioners. To achieve the best feedback from the study, chapter two will focus on the literature review, investigating what was done by other researchers different from the current study; chapter three will address the data and Methodology, which entail what kind of information will be collected from the cooperatives and how will the information be analysed, chapter four will be the interpretation of the results per assessment area or question and chapter five will give the conclusion of the findings and recommendations for the future development.

CHAPTER 2
LITERATURE REVIEW

2.1. Introduction

This chapter presents the literature review that looks into the history of Collective Action, its benefits and challenges. The common example is the smallholder agricultural cooperative usually considered by the government/stakeholders and most project members as the vehicle for enterprise and economic development. The chapter also outlines the approaches used by various authors to analyse the performance of agricultural cooperatives, its relevancy to the problem statement and the approaches used to analyse the members' satisfaction in smallholder agricultural cooperatives.

2.2. Theory of Collective Action

Collective Action is defined as "Behaviour or actions of a group working together towards a common goal". Collective action is meant to address social problems or dilemmas (Ostrom, 1990). It is the attempt by groups of individuals to achieve public goods; the groups are characterised by numerous challenges that tend to be inefficient (Olson, 1965) while Ostrom argues that effective collective action leads to the realisation of individual success and relevant to the problem statement of cooperative board of directors performing according to the given mandates of satisfying

cooperative members. There is no difference in group size and the only difference is in the characteristics of the members.

Social dilemmas refer to the situation when individuals in interdependent situations face a choice that satisfies short-term self-interest, and public good dilemmas are those that benefit the majority after the provision of public goods, e.g. control of pollution (Ostrom, 1990).

Collective targets/benefits include public goods that are inclusive and exclude public goods. Inclusive public goods refer to the non-market environment where provision of the good increases when the membership increases and exclusive public goods refer to a market environment where the reduction in membership leads to fixed goods benefits (Olson, 1965).

2.2.1. Rationale for Collective Action

People living in extreme poverty in rural areas depend on agriculture-related activities for their living (Kispal-Vitai, Regnard, Koevesi and Claude-Andre, 2012). Organisations are beneficial where a group of individuals have a common interest in attaining the specific objective. Improvement of the ability of poor smallholder farmers to participate in the market is the serious challenge in most developing countries (Simelane, 2011). Evidence suggests that the proportion of farmers engaged in subsistence agriculture is still high because of high transaction costs that inhibit them from participating in the market (Bernard, Gabre-Madhin and Taffesse, 2008).

The current challenges faced by smallholder farmers include the following: the partial financial injection in the business; lower production levels not

meeting market demands and an increase in export demand of agricultural products due to the rapid growth in emerging countries (China and India) and the migration of competent/professionals from rural to urban areas (Kispal-Vitai *et al.*, 2012).

Other investigations into the red tape of smallholder farmer participation in the mainstream economy (commercial agri-food chains) include stringent requirements by agricultural food chains in terms of consistency of supply and good quality produce (Louw, Jordaan, Ndanga and Kirsten, 2008); the limited space of operation that limits quantity of production (Jordaan, Grove and Backeberg, 2014); limited access to credit (Khaile, 2012; Baloyi, 2010; Van der Heijden, 2010, Jordaan *et al.*, 2014); limited trust among agricultural processing chains (Van der Heijden, 2010; Randela, Alemu and Groenewald, 2008, and Jordaan *et al.*, 2014) and lack of support services (Van der Heijden, 2010 and Jordaan *et al.*, 2014).

These researchers recommend solving the above and similar problems from the farmers' and from the government's perspective. However, there has been little change in the two sectors (farmers and government), despite the intervention of various researchers with various solutions (Jordaan *et al.*, 2014). However, the above stated challenge sound more external than internal and was considered for the study since they contribute to the performance of the smallholder cooperatives.

Collective action serves as the basis to solve the challenges of finance, capital, market and access to better knowledge. Cooperative advantage drives the cultural values in collective action that influences decision-

making in the business (Kispal-Vitai et al., 2012). The formation of the cooperative is seemed to be the solution to the problem statement, since it addresses external bottlenecks that help internal affairs of the cooperative to run smooth.

The role played by collective action is evident and more significant in the agricultural sector than any other sector. This is because, as an area of productive activity, the agricultural sector has some sector-specific attributes that distinguish it from other sectors (Valentinov, 2007).

The developmental programmes in developing countries are designed to develop smallholder farmers who are unable to do so themselves, especially at the initial stage (Simelane, 2011). Consequently the performance of the collective action is held in contempt by some and members perceive group plans as not adding value to their livelihood because of the minimum growth in the long term.

Because of these challenges collective action has been viewed as appropriate in reaching the poor smallholder (Simelane, 2011). Smallholder groups and farmer organisations have been suggested as entities for institutional innovation that can contribute to the development of production and marketing activities in the smallholder sector (Abdulai and Birachi, 2008) by enhancing market participation through collective action. The members' interest and planning are guided by the different models of collective action that are addressed briefly.

2.2.2. Formal models of Collective Action

The threshold model of collective action indicates how a participant triggers the interference of the planned objectives. The individual choice in the collective action serves as the catalyst since it can facilitate the achievement of the objective benefiting the other members at no cost (Macy, 1991). Relevant to the theme, member's characteristics also play key role in the better performance of the collective action.

There are four different models of collective action that include the single actor model; interdependent aggregation; collective decision of individuals; dynamic interaction among collective actors and their opponents (Oliver, 1993).

2.2.2.1. The Single-Actor Model

The Single Actor Model treats the group behaviour as a given; the model is risky when the planned activities/individual choice does not facilitate the attainment of the majority goals or objectives.

2.2.2.2. Interdependent Aggregation

The Interdependent Aggregation Model has shown growth compared to other models since the collective objectives are interdependent on the positive individual choice. The fragmented individual choices can also cause the delay in achieving the collective target because they do not serve as building blocks.

2.2.2.3. Collective decision of individuals

The difference of individual choice serves as the baseline for collective action to start revising interest. Members tend to be collaborative and come up with mutual joint interests that result in the joint plan of action.

2.2.2.4. Dynamic Interaction among Collective Actors and their opponents

Individuals with a common understanding of their plan of action or same interests tend to be firm when outsiders try to intervene or derail their plan of action.

For the complex interaction of collective action and the reduction of technical challenges more attention on technical issues, experimental design and response surface analysis is required (Oliver, 1993). There are different types of legal entity in collective action that include the following: Partnership; Companies; Trust; NGOs and Cooperatives.

- Partnership

A partnership can be owned by two to twenty people and the Partnership Act of 2002 endorses some forms of partnership. Partnership members share responsibilities. Partnerships have a written contract witnessed by lawyers and explain the percentage dividends and losses.

- Companies

In accordance with the Companies Act *of 1930*, a company is owned by shareholders responsible for the appointment of the director. Decisions are

taken by the chief executive and a special manager can run the company on behalf of the board.

- **Trust**

A trust is the relationship in which an entity or a person holds a legal title of certain property, owned or governed by the terms of the written trust agreement and local law. The trustee acts as the driver of the trust and a trust is attractive to non-residents since there is no estate duty, capital gains, tax etc. A trust is used mostly to protect assets from risk-associated litigation.

- **NGO (Non-Governmental Organisation)**

The NGO has a collaborative relationship with the government and other associations. The objectives of the NGO include agriculture and rural development, socio-economic development and women and youth development activities (Bingen and Mpyisi, 2001). An NGO is used to set up companies or a trust.

- **Cooperatives**

A cooperative can be formed by a minimum of five people and an agricultural cooperative indicates a cooperative that produces, processes or sells agricultural products and supplies agricultural input and services to its members. It is highly dependent on the values of self-help; self-responsibility; democratic and cooperative principles that include voluntary membership; democratic member participation, training, etc. (Co-operative Act, 2005). The mentioned values are found to be contrary to the status of the agricultural cooperatives, since they are highly dependent on stakeholders for any development.

However, all the above mentioned entities serve the purpose of business compliance and the members/individual usually decides which legal entity to consider, depending on the benefits. In some cases individuals'/groups' choice of legal entity is dictated by stakeholders promising to invest in the smallholders business. For the purpose of this study the focus is on the cooperative business as a vehicle for collective action.

2.3. Cooperative as a vehicle for collective action

Cooperative development is recognised by most stakeholders as an entry door to assist the majority of the enterprises or projects. These networks have emerged as a response to the challenges and high demands derived from hyper-competitiveness present in current globalised markets. In fact, many authors agree in stating that the networks constitute an organisational phenomenon in itself, which in turn is formed by one or several models of alliance among traditional enterprises (Michalus, Hernandez, Hernandez, Suarez and Sarache, 2011).

2.3.1. Theory of Cooperatives

Cooperatives are by their very nature enterprises that balance or integrate economic, environmental and social imperatives, which at the same time address members and member expectations (International Co-operative Alliance, 1995). An agricultural cooperative is a cooperative that produces, processes or sells agricultural products and supplies agricultural inputs and services to its members (RSA, 2005). The research title seems to be less convinced with the service of the cooperatives and the study will find the obstacles delaying cooperative responsibilities or services.

2.3.2. Cooperative values

Cooperatives are characterised by the values of self-help, self-responsibility, democracy, equality and solidarity. Traditionally co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others. The values of democratically controlled cooperatives tend to be singularly unstable, considering the transformation of the economy, where market segmentation/requirements require flexibility in decision-making (Bouckova, 2002).

The ancient values of cooperatives need intervention, considering the open membership, member share, level of liability, possibility to invite external donors/investors and division of yields.

2.3.3. Cooperative principles

Cooperatives serve as institutional frameworks that members/stakeholders in the private and public sector can use to control their enterprises based on the following seven principles: Voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives and concern for the community (ICA, 1995).

2.3.3.1. Voluntary and Open Membership

Cooperative is the example of collective action and membership is voluntary, open to everybody, able to utilise their services and able to take responsibility of the cooperative assets.

2.3.3.2. Democratic Member Control

A cooperative is a democratic collective action that is controlled by responsible members who take rational decisions to develop the cooperative.

2.3.3.3. Member Economic Participation

Collective action members must have equal contribution and control the cooperative democratically. The cooperative capital is usually the joined owned property of the cooperative.

2.3.3.4. Autonomy and Independence

Cooperative management must be governed by the cooperative internal constitution and be able to sustain itself on its own.

2.3.3.5. Education, Training and Information

Boards of directors and ordinary members need continuous capacity building for effective contribution to the development of their cooperatives.

2.3.3.6. Co-operation among Cooperatives

Cooperative members have effective ties within the cooperative and strengthen the cooperative movement as collective action in local, national, regional and international structures.

2.3.3.7. Concern for the Community

Most cooperatives are managed and controlled for the sustainable development and benefit of their community, through joint decision-making by their members.

However, the implementation of the principles varies from one cooperative to another, due to new models that are evolving and new challenges faced by smallholder cooperatives, thus declining in the adoption/use of the principles. More smallholder members exist as shareholders rather than shareowners (Bouckova, 2002). The statement tends to relax the member ownership of the collective action, eventually leading to less interest in the success of the business.

Other countries are adopting the New Generation Cooperative as vertical integration, giving smallholder cooperative an opportunity to sell processed products rather than raw products (Porter, 1985).

2.4. Experience of Cooperatives in Collective Action

Cooperatives play an important part in the world of economic growth through fairness, equity and justice to the market place (The Dti, 2012). Various stakeholders in South Africa have developed comprehensive baseline studies of cooperatives, which include an international benchmarking and effective co-operative development strategy (best practices and international lessons) (The Dti, 2012).

2.4.1. International experience

During the international year of cooperatives in 2012 the United Nations acknowledged that cooperatives are formed as a member-owned and democratically controlled enterprise that can contribute to poverty reduction and socio-economic development (The report of the Secretary General of the UN General Assembly, 2009). The important role played by micro-enterprises, small and medium enterprises (MSME) is well known for invigorating and enhancing the performance of economics as generators of employment and the gross internal product in the so-called developed countries as well as developing countries. These enterprises show even more flexibility than large enterprises for modifying their activities and adapting to new market demands (Mora, 2013).

Micro-, Small and Medium Enterprises (MSME) in Latin America and the Caribbean represent, according to regional statistics, 50% of the total existing enterprise and generate 60% of the employment (Berry, 2001). The trends accentuate the fact that the strategy used internationally can be copied to other countries for enterprise development and job creation.

2.4.1.1. The role of cooperatives

Many people have regarded business as a problem, but have gradually discovered that cooperatives as business are run by their members, just like trade unions. Smallholder agricultural cooperatives are used as a tool to improve their livelihood and market in both the developing and under-developed world (Sinja, Njoroge, Mbaya, Magara, Mwangi, Baltenweck,

Romney and Omore, 2006) while the International Co-operative Alliance supports the cooperative movement by stabilising the regional economic cycles leading to poverty reduction (ICA, Nov 2012).

In recent years the cooperative has been used as a tool to achieve the target of the millennium goals through the following:

- Income generation through job creation.
- Secure livelihoods for members by food provision.
- Key to feeding the world.
- Reducing global poverty and economic injustice (World Bank, 2008:1).

2.4.2. South Africa's experience with cooperatives

Most cooperatives did not adhere to international cooperative principles (ICA, 1995). The 1922, 1937 and 1981 cooperative legislation did not emphasise the importance of cooperative principles (The Dti, 2012). The successful cooperatives in South Africa were achieved only through excess government support like the Land Bank financing, state subsidies and tax exemption (The Dti, 2012).

During the growth and development summit of 2003 it was agreed to prioritise cooperative developments as one of the drivers of economic development in the country. In 2005 a total of 2 766 new black-dominated cooperatives were registered, which resemble 66% growth from 1 444 to 4 210 and a later drop to 3 990 due to merging, dissolution and convergence into private firms (The Dti, 2012).

The promulgation of the new Co-operative Act, No 14 of 2005 diminished registration to 19 550 new cooperatives registered with the Companies and Intellectual Property Commission in various sectors. The provincial registration is headed by KwaZulu Natal (26%), Gauteng (20%), Eastern Cape (16%), Limpopo (12%), Mpumalanga (8%), North West (7%), Western Cape (5%), Free State (4%) and Northern Cape (2%). The sum of cooperatives registered was 43 062 in March 2009 (Companies and Intellectual Property Commission, Register, 1922-2011), which signifies the growth in the number of cooperative registrations compared to the 1 444 registered cooperatives in 1995 (The Dti, 2012).

2.4.2.1. Challenges affecting the performance of cooperative in South Africa

Collective action in general faces three main challenges that include member addressing personal needs than member's needs; secondly, sharing common interest with members of conflicting interest tends to be the major problem; and lastly, the cost of running the collective action is often expensive (Olson, 1965). Group members with different interests highly disadvantage the attainment of the target. An individual has less influence in the organisation and benefits are compulsory and equal, even though individual contribution is not equal. The rate of conflict is very high in collective action because of individuals having different interests (Olson, 1965). Various stakeholders' intervention in cooperative development can be validated and requires continuous support to address the following existing challenges.

Agricultural cooperatives around the world are facing major structural challenges as they respond to a more industrialised agricultural, global and

freer trade. Cooperatives are responding to these changes by merging, by finding new ways of raising capital and by developing new organisational forms such as the New Generation cooperatives. One of the critically important issues cooperatives face as they undergo this transformation is member commitment (Fulton, 1999).

2.4.2.2. Cooperative management challenges

Performances of cooperatives are affected by the management practices that differ, depending on the enterprise and the management level of the cooperative. The primary cooperatives that struggle most are the beginners or the new collective action in the business. When focusing on cooperatives as legal entity only, other challenges that are well documented include the poor governance and lack of managerial skills (Nkhoma, 2011). The identified challenges are not limited and include the following: poor management and technical skill; limited trust among members; not adhering to co-operative principles; marketing challenges; poor networking or economic value chain activities and outrageous marketing requirements (The Dti, 2012).

✓ Poor management and technical skill

The management level in a cooperative is very low since the literacy level tends to be lower than Grade 12. The financial management background of the board of directors is a prerequisite for the success of co-operators. Most cooperatives are distressed due to the management practice on funded cooperatives; the reason includes lack of ownership, lack of cash/capital contribution and inappropriate systems to manage finance (The Dti, 2012).

The low level of literacy in agricultural cooperatives is the main cause of weak management, poor governance and inability to run their enterprises effectively on sound business principles (DAFF, 2012).

✓ **Limited trust among members**

Challenges of collective action (Horizon problem) tend to reduce trust between members since some transaction costs are not reported to members; cultural, social, religious and other conventions tend to affect the performance of the co-operative. The view that groups act to serve their interest presumably is based on the assumption that the individuals in groups act out of self-interest and when an individual in a group nobly disregards their personal welfare, it is not very likely that collectively they would seek some selfish common or group objectives (Olson, 1965).

✓ **Not adhering to cooperative principles**

Most of the smallholder cooperatives register for the compliance of the business requirements and fail to comply or disclose the financial status of the cooperative. The continuous training on cooperatives principles remains the limiting factor for the above problem.

Other constraints identified include partial funding/financing for co-operatives because of low assets base/security, a low education level of members that inhibits the adoption of new technology, inability of co-operatives to solve the problems that farmers face, such as a lack of providing inputs and marketing the farmer produce (Simelane, 2011).

Mohamed (2004) discovered that the majority constraints of cooperatives involve a lack of access to finance, lack of trust that results in poor quality of services provided, a lack of professional management, misappropriation of funds, low commitment and participation by members, a lack of timely market information and the high price of agricultural inputs.

✓ **Marketing Challenges**

Marketing is the determinant of the destination of all inputs, natural resources, specific competencies, budget etc. to produce a certain output or product, and thus playing a critical role for the success of any other business. The poor networking and exorbitant market requirements have been found to be the marketing challenges (The Dti, 2012).

✓ **Poor networking or economic value chain activities**

Collective action business ties include technical, managerial, legal, administration and financial competency. They play a critical part in the success of the cooperative. Cooperative relationships, namely input supplier co-operative, financial co-operative and producer cooperative are not strengthened and result in weaker or no value chain. The cooperative enterprise is dependent since it can guide the producer cooperative on what the consumer requires and what the input supplier must provide and vice versa (Dti, 2012).

✓ **Extreme marketing requirements**

The challenge sound more external, but due to its impact on the members point of view, I have deem it fit to explain that Global trade is increasing the marketing conditions/requirements and most smallholder cooperatives tend to bypass the marketing requirements. The examples include hygiene and packaging, which require proper infrastructure to meet the EURO standard in case of exports. The complicated transaction cost (transport, marketing fee, etc.) tends to create barriers for most smallholder cooperatives to face the formal market (Dti, 2012).

Smallholder farmers have limited access to finance; this is caused by the user-financed principle, with the assumption that members have financial muscle. The current evidence shows that only 183 of the 836 agricultural cooperatives in South Africa have received financial support. Most smallholder cooperatives are liquidated and this has become key a constraint (DAFF, 2012).

The above challenges hinder the development of primary smallholder farmer cooperatives with sound support from other role players and necessitate strategic intervention by collective partners/stakeholders, the (Dti, 2012).

2.5 Approaches to analyse the performance of agricultural cooperatives

Different factors contribute to the poor performance of agricultural cooperatives in less developed countries. Smallholder cooperatives were used as the instrument to fast-track agricultural development in less developed countries. Agricultural cooperative development is not developing as perceived by most members.

Simelane (2011) assessed the performance of small dairy producers and marketing cooperatives. The focus was on smallholder production and marketing factors affecting the performance of the cooperatives on the transaction cost and general cooperative constraints. A descriptive analysis tool was used to assess the role played by cooperatives in dairy production and marketing of smallholder farmers in Swaziland. The comparison was made between other business cooperatives and non-cooperative farmer production systems and marketing systems. The performance indicators included socio-economic characters (age, gender and education), household size and major source of income. Econometric analysis was used to confirm whether dairy co-operatives have minimised the transaction cost in production and marketing. In this case the higher transaction cost resulted in poor performance of the cooperative and the lower transaction cost in the better performance of the cooperative. The bulk buying of collective action reduces individual transaction cost and benefits businesses with the reduction of the price of the inputs. However, the researcher recommended that similar studies be conducted in other areas because this research does not represent the country-wide status of cooperatives.

Nkhoma (2011) used multiple case studies to investigate contributing factors to the poor performance of agricultural cooperatives. Two cooperatives were modelled, namely one sustainable cooperative in the district and one less sustainable one in another district. Both cooperatives' members were interviewed and the findings included lack of market access; poor governance and a lack of managerial skills as the core problem affecting cooperatives. The researcher concluded that Malawi agricultural cooperatives are important and need further support in the area of marketing and supportive regulatory frameworks that allow a competitive market environment.

Sikuka (2010) conducted a study to understand the concept of cooperative conversions and compared the performance of the converted cooperatives to those that never converted, using financial accounting analysis and organisational dynamism. Financial performance of companies is higher than the financial performance of cooperatives, especially in assets and revenue growth. The financial performance indicates that converting from a cooperative to a company could result in a slight increase in financial performance; the study shows that companies are far more dynamic than cooperatives.

Further investigation was conducted by Agholor (2013), who among others, investigated some reasons for the poor performance of beef cooperatives in achieving their goals (which included diseases, drinking water stress, inadequate infrastructure, insufficient market access, price fixing of culled stock and labour). Logistic regression was used to evaluate the perception of the constraints of a smallholder cooperative. The results of the analysis

revealed that the ability of farmers to perceive constraints increases with the number of years in farming. In conclusion the study developed the proposal to improve the performance of agricultural cooperatives.

Geyser and Liebenberg (2003) explored the input costs in the farming business. The fluctuation of the share price around the true value has an impact on business value and managers are held accountable when the impact of the cooperative is negative. The Economic Value Added was adapted since it measures the surplus value created by the business with the existing or available resources.

According to Rafat, Lansink, Gerard and Van Dijk (2009) the performance of agricultural cooperatives is measured based on sets of objective. Studies on cooperative financial performance are divided into two categories, namely economic theory study and accounting technique study. Ling and Liebrand (1998) recommend the method to evaluate and compare the operational performance of dairy cooperatives that have surplus to cover operating costs, including the opportunity cost of operating capital. The surplus or extra-value can be seen when operating capital generates an extra-value index (EVI). The performance ranking of a business by EVI and return on equity (ROE) can be generated by using the data collected on cooperatives. In another instance evaluation was based on the age of the cooperative, family size, farm size, input cost and labour cost since they influence output. Education and membership strength have been found to have little influence on output (Matthews-Njoku, Ugochukwa and Chendo, 2003).

Oanea (2012) assessed the management of co-operatives based on the democratic control. An agricultural cooperative is the recognised type of business and the use of large arable land increase the chances of business viability. The success of the cooperative is not measured by profit to cover loss but rather by creating a conducive production plan and lucrative market to increase co-operative members' income. The social indicators were found to have an influence on the default of rural co-operatives (Menegario, Araujo and Fernando, 2001).

Mendola. (2007) have used propensity score matching to measure the impact of an agricultural cooperative on household income. Kaynak and Necdet (2008) point out that cooperatives that are proactive and taking positive risk have a positive impact on competitive strategies (Calkins and Ngo, 2010). The investigation was conducted on a cocoa cooperative that can lead to better productivity, better salary and improved status of the producers. Based on the quantitative and qualitative analysis in two major producing countries, it was proven that cooperatives have a critical role in improving the income, health and wealth of the community.

2.6. Approaches to analysing members' satisfaction in smallholder agricultural cooperatives.

Members of the agricultural cooperative start such a legal entity with certain milestones or objectives. These cooperative businesses, like any business, have various dynamics that can lead to the success or failure to achieve the set of objectives leading to members' satisfaction or dissatisfaction.

The nature of this study requires a participatory approach to understand the perception of the farmers and to ask the right questions (Niki, 2000).

Cooperatives are prone to certain limitations restricting the business to achieve their targets. Failure to accumulate sufficient own capital is a good example and members look at cooperatives as investment institutions. The coordination between cooperatives is influenced by two variables, namely trust and dependence (Narciso and Miguel, 2003).

There is evidence in cooperatives (both anecdotal and empirical) that shows change in the traditional form of member commitment that is vanishing while cooperatives face tremendous challenges (Dakurah, Goddard and Osuteye, 2005). Assessment of cooperative member satisfaction is dictated by various factors, such as the target goals of the cooperative. The target goals of the cooperative affect member satisfaction because the goals may not address individual interest; member participation and commitment are less in most cooperatives and thus affect member satisfaction because of the little contribution from members (Dakurah *et al.*, 2005); cooperative member active participation and loyalty are integral for its success and if members' participation is limited to economic patronage only, the cooperative will be the same as other legal entities or businesses (Hakelius, 1996). The other contributing factor is evaluating members' needs, which is done in most cases due to the divergent set of member objectives, both between and within cooperatives (Gassan, 1977a & 1977b); socio-economic pressure (unemployment; youth employment and value added infrastructure) can also be used to give final results of member satisfaction (Dakurah *at al.*,

2005). Training of cooperatives and youth involvement will ensure sustainability of agricultural enterprises (Develtere *at al.*, 2008).

Social performance and economic performance are used to analyse the performance of the cooperative (Gerlinda, 2010). Evidence from a multi-purpose cooperative indicates that members' satisfaction is strongly dependent on member patronage, member patronage dependent on member funds and less dependent on member control. Member control is also dependent on member funds, which implies that member funds and profitability performance are the drivers of cooperative growth (Agrawal, Raju, Reddy, Srinivasan and Sriram, 2003).

Some researchers have explored members' satisfaction with the functions of the cooperative. Sadighi and Darvishinia (2005) conducted a study to assess the professional satisfaction of rural cooperative members, using a complete random technique with 320 members. A questionnaire was designed using multivariate linear regression, consisting of three parts to collect data. Members were positive and had a good attitude towards the cooperative and its activities.

Mao, Wang, Zang, Lu, Huang and Chen (2012) used the binary logistic regression model. The scale satisfaction of members' farming and cooperative (funded and non-funded), was measured by the improvement of net income; presidents' performance; financial transparency; fairness in profit sharing and other factors have a significant impact on farmer satisfaction.

Mellor (2009) used cooperative financial profitability, performance and general business success to track cooperative success. Matchaya and Perotin (2013) assessed farmer satisfaction by using the propensity Score Matching method to estimate Average Treatment Effects.

The cooperatives were evaluated in the traditional areas of price, efficiency, financial performance, growth and service provided. Schrader, Babb, Boynton and Lang (1985) explored the dimensions of agribusiness performance in agriculture. Ward (1995) and Sayers (1996) evaluated cooperatives from the farmers' perspective.

2.7. Conclusion

A smallholder agricultural cooperative is considered by various investor stakeholders for economic development, while most collective action members consider the cooperative as the best source of income generation and solutions for most social problems. The performance to date does not meet members' expectations.

Collective action is characterised by a group of people working together and registered as a legal entity, with different levels of commitment and characteristics. Some group members hinder development because they have more individual than common needs.

However, it is evident that more successful collection actions are in the agricultural sector (sector-sector attributes) than any other sector. Management, Production and marketing have been the common bottlenecks and to overcome such challenges, cooperative collective action is seen as the

remedial action to overcome mismanagement, limited production and stringent marketing requirements. Smallholder cooperatives serve as the world food basket with less or no surplus for the market, which is the reason for no or limited salary in smallholder farming.

The formal models of collective action include legal entities, e.g. Partnerships, Companies, Trusts, NGOs and Cooperatives. Literature has proven that most smallholder farmers have registered as primary agricultural cooperative in developing areas with little competency of entrepreneurship.

Smallholder farmers opt to store their produce, especially grain, to exchanging it for cash, believing that transactions like transport and banking cost them more than they can afford. Some smallholder farmers have inherited the farming activities as a way of sustaining their family rather than making business from agricultural activities.

The recent formation of the agricultural cooperative was a response to the market requirements and formalisation of the business. Limited farming land is the core of the farming business, but climate change is restricting farmers to take risk and put all their eggs in one basket. Other collective actions have engaged in secondary production or milling of grain and are not fully utilised due to limited supply of raw material from smallholder farmers.

The International Co-operative Alliance is confident of the co-operative movement because they stabilise the regional economic cycles leading to poverty reduction and the achievement of the millennium goals. In addition,

cooperatives have been found to play a role in promoting social integration and developing new leaders that are diversified.

An additional challenge is the age group, which is dominated by pensioners with little or no school qualifications, which restricts the chances of socio-economic growth in the farming sector.

The cooperatives that had an impact are those funded by government and that are exempted from tax. It was agreed during the Growth and Development Summit to flagship cooperatives as economic development pillars. Other challenges affecting the performance of the cooperative include the expenses of running collective action and the high rate of conflict. Other weaknesses and threats in collective action include cooperative governance and government challenges. Thus the smallholder cooperative needs an incubation period to formalise and sustain the business before the exit of key stakeholders. One limiting factor omitted by the funders is that payment of workers is not funded and most members tend to resign and move to greener pastures since the return on investment takes long in the farming sector.

Common obstacles in collective action revolve around management, insufficient credit and the primitive nature of the cooperatives. Those who have received funding usually regard production and marketing as the core problems due to unfavourable farming conditions and global trade.

Various tools have been used to analyse the above factors; they include, among others, Econometrics to analyse transaction costs and marketing;

financial accounting analysis and organisational dynamism to assess financial performance. Credit unions have used a PEARLS to monitor the performance of the credit union systems; the advantage of the tool is that managers can identify grey areas that need intervention. Since most co-operatives analysed are not financial institutions, the tool is not suitable. Other authors used cross-sectional data and propensity score matching to assess the use of technology.

For smallholder members' satisfaction cooperative business is set to achieve a set of objectives, which are member-oriented than individual-oriented. Personal attributes (honesty, trust) and dependency have a negative effect on satisfying members. Smallholder cooperatives operate in the open market system without any stringent measures that they must follow. Internal regulation, like the cooperative constitution that is supposed to be the yardstick, is not followed to ensure members' satisfaction.

3.1. METHOD OF DATA COLLECTION

Mogalakwena Municipality has agricultural cooperatives that practise farming in livestock production, vegetable production, grain crops and mixed farming.

A sample of eight agricultural cooperatives was selected the majority of the cooperatives are engaged in broiler production as the marketable product. The cooperatives are widespread in the municipality in a radius of 140 km from Mogalakwena Central Business District.

The cooperative members were contacted by phone for the appointment and visited on a suitable date and time since they were self-employed on their farms. The questionnaire was distributed to each member of the cooperative, the reason for the data collection explained, and how the ratings would be done. The interviews were conducted by reading the questions and where necessary translating the questions in the respondents' language and the members would individually give answers to the questions in the questionnaire.

The criteria used for the selection of cooperatives to be interviewed are limited to active membership. The majority are engaged in broiler production and are female-dominated. Almost 85% of the members were interviewed using a designed questionnaire (Schrader, 2010). The cooperative with the highest membership and highest number of questionnaires returned was the third criterion used to select the cooperative with sufficient information to be used for the study.

The challenges experienced during data collection included the following: the literacy level of most cooperative members was below average; most cooperatives were owned by pensioners and the membership of the cooperatives had dropped by more than 80% of the initial number.

The tool that was used was based on the FORCE tool by Schrader (2010) because of the following reasons:

1. The tool is flexible, easy to use, cost effective and action-orientated.
2. It harnesses how members evaluate their competency and how they view business relations (members' perspective).
3. The tool can induce a change process that can lead to capacity building and improve business in the cooperative.
4. The tool establishes discussion within smallholder farmer cooperative stakeholders.
5. The research provides organisation reports and comparative reports.
6. The research provides an analytical perspective from both farmers and stakeholders.

The seven steps used in the tool

1. Customisation and organisation
2. Identifying indicators and formulating statements
3. Introducing the self-assessment to farmers
4. Farmers scoring the statements
5. Data processing
6. Preparing a debriefing report and meeting
7. Sharing and discussing self-assessment results

The tools used map how farmers perceive their organisation and business relations. The tool is further used for capacity development of the farmer organisation and agribusiness development opportunities. The only limitation of the study is that it does not investigate the financial status or provide proof of the financial movement of the identified cooperatives. Secondly, the tool assumes that all the cooperatives have market contracts with the consumers or market outlet.

However, the tool might have some limiting factors; humans as the key source of information are as fallible as any other researcher instrument because of mistakes, bias or misleading information and time is a limiting factor when planning a study (Marshall and Rossman, 2006).

The names of the agricultural co-operative/legal entities that were visited to collect information are listed in the table below:

Table 3.1.1. Names of Collective Actions Interviewed

Name of Cooperative	Area	Type of farming	Members	Status	Date of interview
1. Agang Rebone Poultry Cooperative	Rebone	Broilers	5	Active	10/10/2014
2. Bakone Ba Kopane Goat Cooperative	Segole	Goat	12	Dormant	26/07/2014
3. Hlahlolanang Agricultural Cooperative	Ga-Madiba	Broilers and vegetables	8	Active	10/07/2014
4. Malokong Agricultural Cooperative	Pudi ya Kgopa	Broiler	7	Active	11/09/2014
5. Mapela Agric. Irrigation Cooperative	Mapela	Vegetables	60	Active	12/09/2014
6. Masipa Poultry Cooperative	Ga-Masipa	Broiler	7	Active	11/09/2014
7. Mokaba Farmers Agric. Cooperative	Ga-Mokaba	Vegetables and Field Crops	11	Active	12/09/2014
8. Koputjana Close Cooperative	Jaagpan	Broilers	6	Active	10/07/2014

Most cooperatives honoured the requested dates and all the members were requested to be available; due to social commitments, some members were not available and information was collected since the two-third majorities was present. It is procedural in all project/cooperatives to start the meeting with prayer, and then later I personally presented the purpose of the visit and how information would help them in improving their grey areas after analysis of the results.

The question was designed consisting of eight assessment area informed by the challenges of the cooperatives (Management, Evaluating members need, poor networking relation and default) and statements (skills gap, access to finance and marketing information, social indicators, member financial contribution, production plan and cost etc.) using Schrader's (2010) tool:

1. Membership base

The membership base will clarify the official existence of the member, with statement like formulation and sharing of objectives, internal communication, community engagement etc.

2. Governance, leadership and internal democracy

The question will validate the legitimacy of the collective action, with statement that are not limited to documentation and sharing of internal regulation among members, democracy and transparency in the collective action, women and youth representation and joint annual planning and review.

3. Management of human and financial resources

The question investigate if the committee members have the required skills and competency, is there any training programme in place for the managers, record keeping, reporting annually on resources and income etc.

4. Collaboration and Alliance

The component look at the question that is not limited to legal recognition of the collective action, compliance with local authorities and government authorities, working relation with private sectors etc.

5. Service provision to members

The question look at meeting the interest of the members, collective action facilitating access to resources for the collective action so that they can benefit the members, benefits of being a collective member etc.

6. Production and production risk

The question focuses on the land suitability for growing the enterprise, the cost of production, quality assurance of the product, and access to credit etc. The question is asked because the production is the core of the business and no production will lead to members' dissatisfaction.

7. Relationship between farmers and buyers

The question look at the contractual obligation of the collective action, the price paid to the product quality, the value adding opportunities, quality control of the produce etc. The customers are the key stakeholders for the sustainability of the cooperative which means that they must always be satisfied with the product they are paying. The unsatisfactory behaviour of buyers will lead to the

lower/no income of the collective action which will eventually lead to shutdown of the business.

8. Default

The question look at the outstanding loans of the collective action, the contractual obligations are clear and have dispute resolution strategy, the impact of national price change to their product price, individual member contribution can increasing savings in the collective action etc.

The questionnaire was distributed to all members and read in English, but because some members could not understand, two Agricultural Economics interns (Ms. M.W. Bopape and Mr. M. T. Mabuella) helped with the translation into Sepedi/Northern Sotho.

Cooperative members were requested to score each statement, ranging from 0 (totally disagree) to 5 (fully agree); see Appendix 7.1. The members were requested to be fair when answering since the results had to reflect the true picture of their cooperative and not to copy from other members. The exercise was tedious because of the statement translation, and the concentration level of the co-operative members dropped if more than an hour was spent on asking questions. In some projects we had intervals/breaks so that they could perform their daily duties and resume with the questionnaire. On average one cooperative visit lasted almost two hours.

After collecting the information from the eight Collective action, the individual members respond was placed into the FORCE tool on the excel programme. The respond per member in cooperative is link eight questions that generate a general graphs giving the minimum score, maximum score, average score and standard deviation per collective action.

All eight collective action information was collected and will be used to make comparison or test where necessary. However, Mapela Agricultural cooperative have the highest number of respond and decided that it will give more information than other collective actions with less number of responds.

The results for Mapela Agricultural cooperative will be compared with Koputjanang close cooperation for hypothetical test of the second assessment area (governance and internal democracy).

4.1. Introduction

The main aim of Chapter 4 is to report and discuss the results of the analysis of the perceptions of eight collective actions that were interviewed even though the final synthesis will be on Mapela Agricultural Co-operative members in Limpopo Province.

The graphs illustrate the performance areas with supporting statements. The analysis will be on the maximum score; minimum score and the median score for seven collective actions and there will be an addition of the standard deviation for Mapela Agricultural cooperative as the recommended collective action for detailed analysis.

The tables below will depict the overall scoring of cooperative members in eight assessed areas.

4.1.1. Koputjanag Close Cooperative

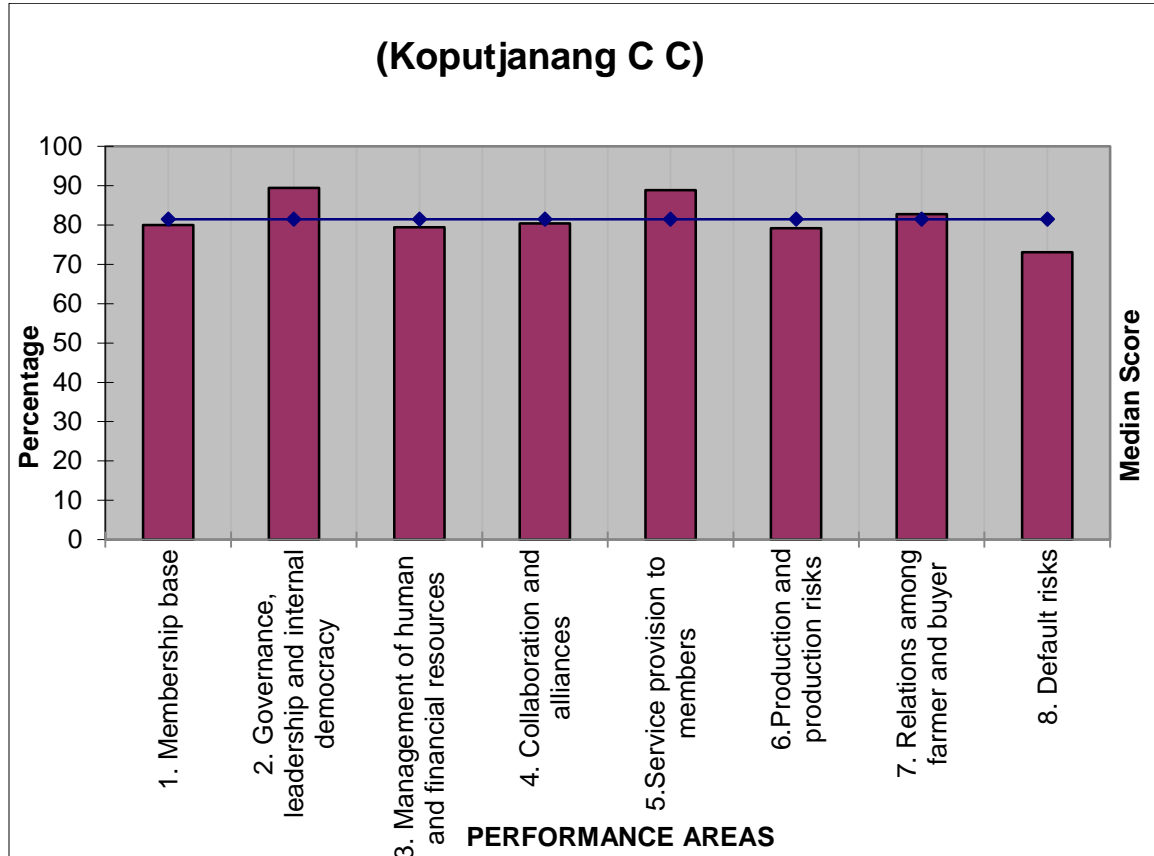


Figure 1: Overall scores of the perception of all members of Koputjanang Close Cooperation.

Source: Own calculations

Koputjanang Close Cooperation shows the minimum score (73) on Defaults risk; the maximum score of (89) on Governance, leadership and internal democracy and service provision to members with the median score of 81.5. The performance of assessed areas is above 50% indicating good performance of the collective action.

4.1.2. Hlahlolanang Agricultural Cooperative

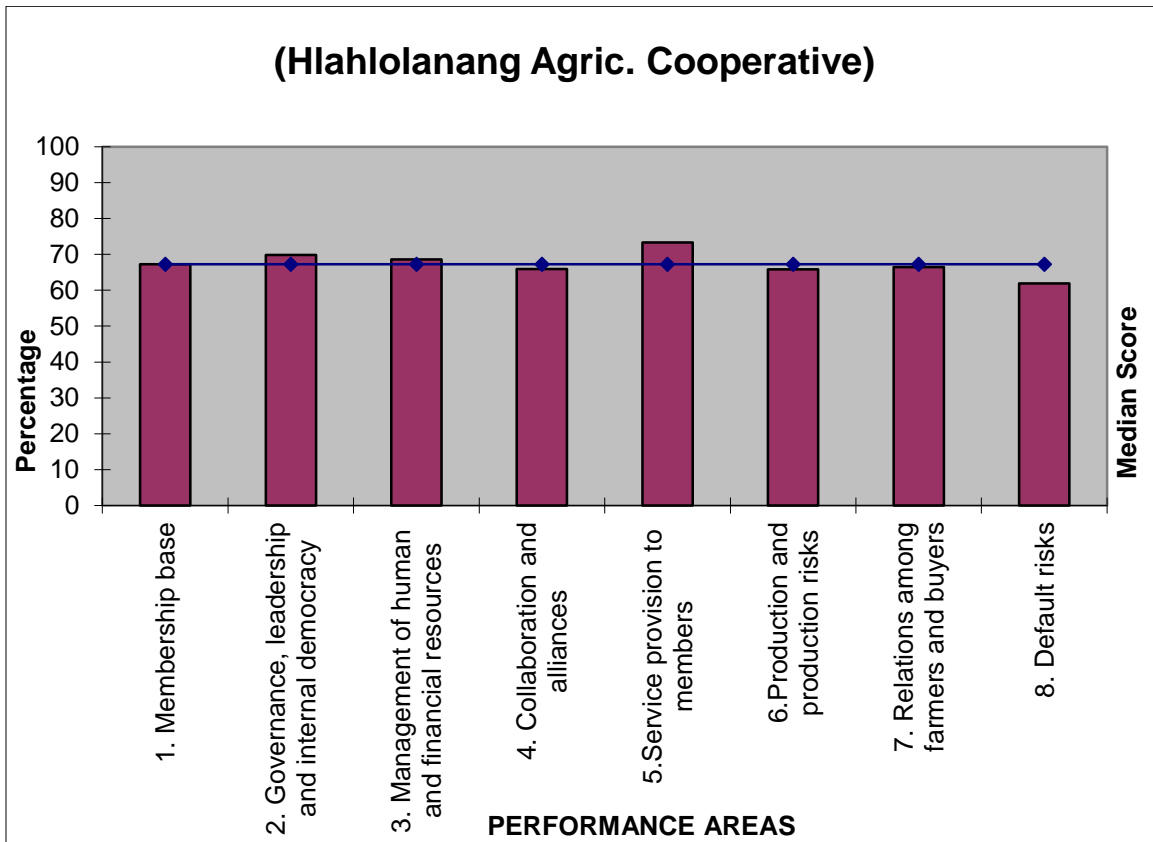


Figure 2: Overall scores of the perception of all members of Hlahlolanang Agricultural cooperative.

Source: Own calculations

Hlahlolanang Agricultural Cooperative results indicate the minimum score of 62 on Default risk; the maximum score of 73 on service provision to members and the median score of 67.2. However, the cooperative is also on the winning side of the business since scored above 50% of the assessed areas.

4.1.3. Agang Rebone Agricultural Cooperative

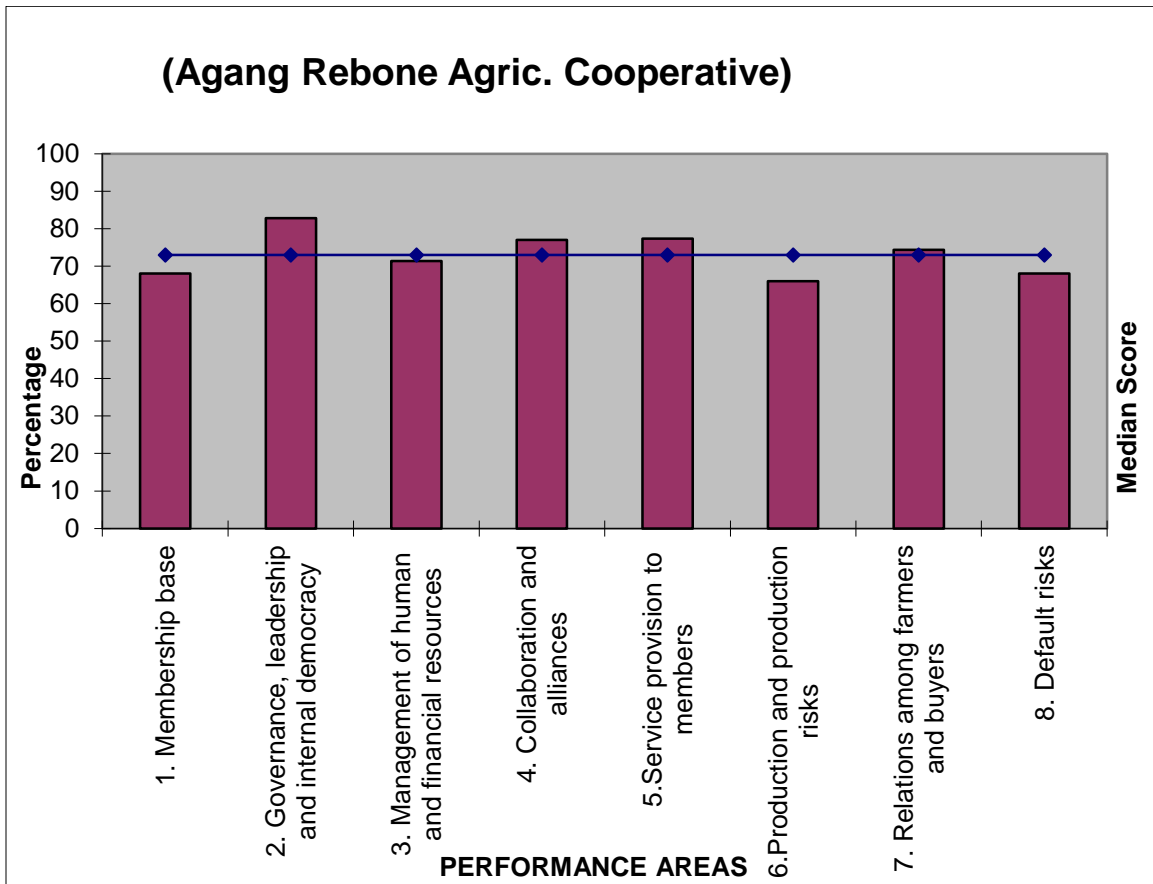


Figure 3: Overall scores of the perception of all members of Agang Rebone Agricultural cooperative.

Source: Own calculations

The cooperative score the minimum score of 66 on production and production risk; the maximum score of 83 on governance, leadership and internal democracy and the median score of 73. The cooperative scores sound healthy considering their positive score above 66%.

4.1.4. Masipa Agricultural Cooperative

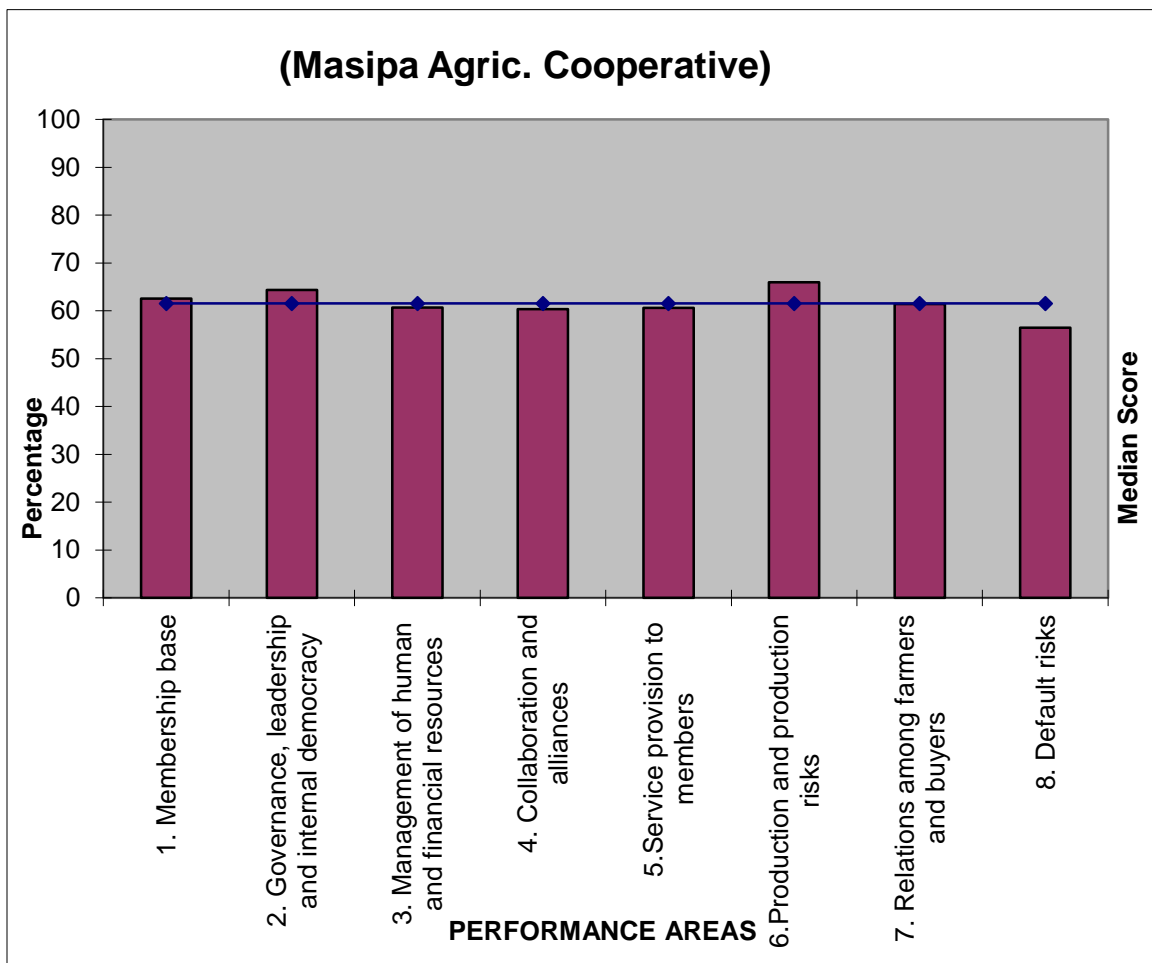


Figure 4: Overall scores of the perception of all members of Masipa Agricultural cooperative.

Source: Own calculations

The table above shows the minimum score of 56 on Default risk; the maximum score of 66 on production and production risk and the median score of 61.5.

4.1.5. Malokong Agricultural Cooperative

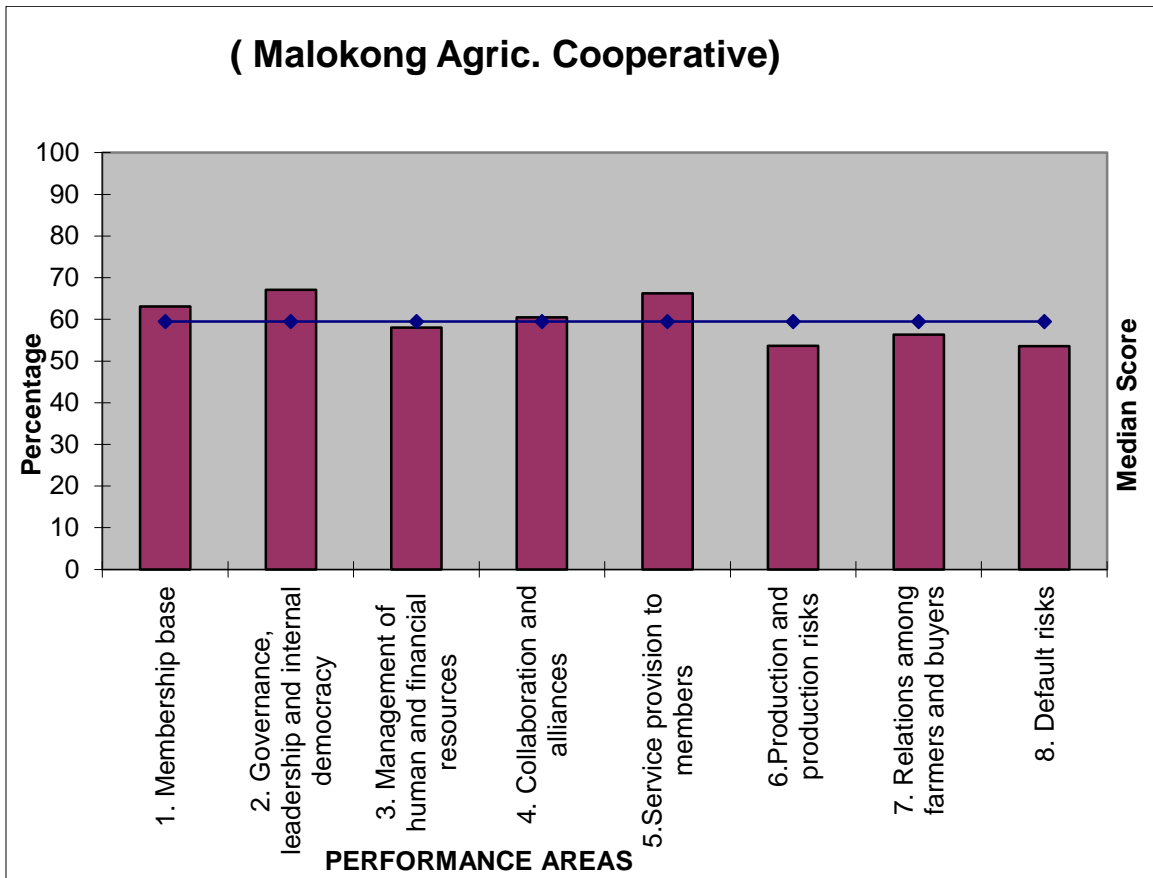


Figure 5: Overall scores of the perception of all members of Malokong Agricultural cooperative.

Source: Own calculations

The overall results for the cooperative indicate the minimum score of 54 on production and production risk, the maximum score of 67 on Governance, leadership and internal democracy, and the median score of 59.5.

4.1.6. Bakone ba Kopane Goat Cooperative

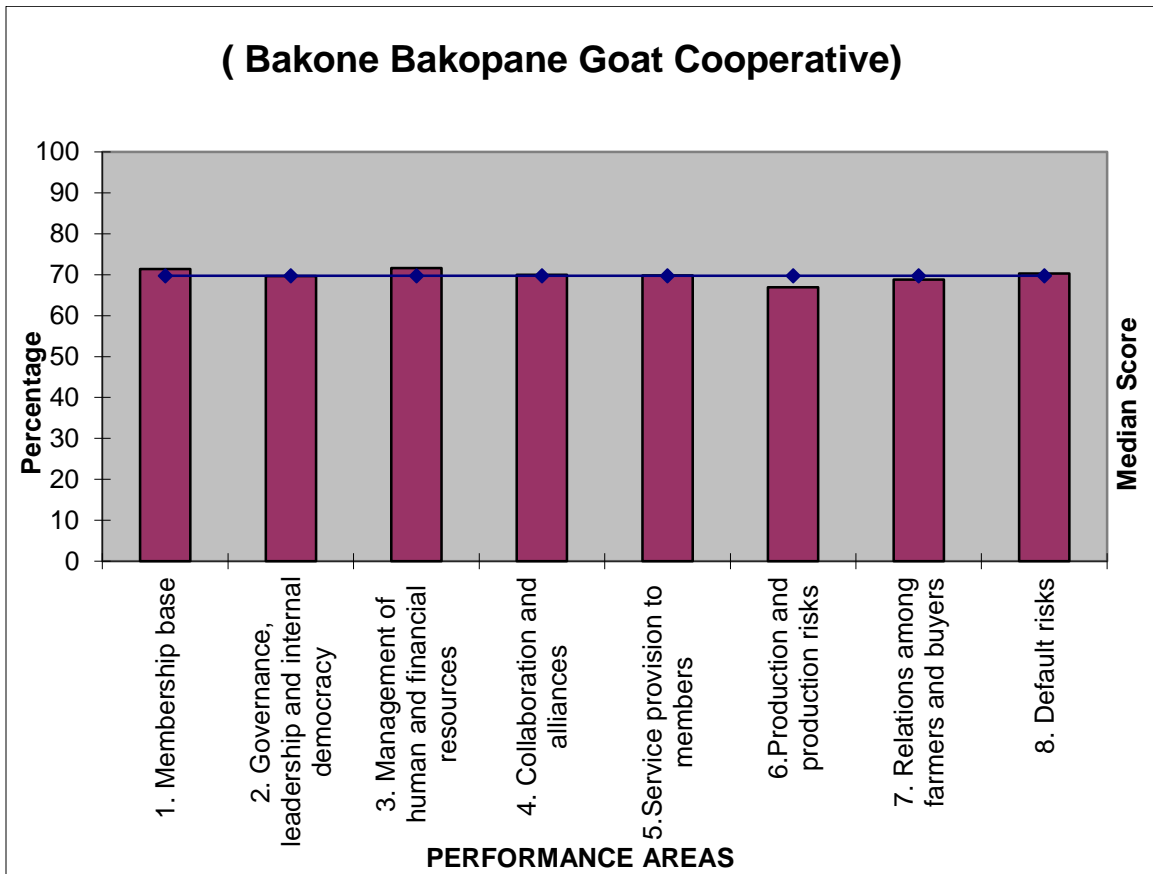


Figure 6: Overall scores of the perception of all members of Bakone ba Kopane Goat cooperative.

Source: Own calculations

The score for Bakone ba Kopane cooperative have the minimum score of 67 on production and production risk; the median score of 72 on management of human and financial resources and the median score of 69.7.

4.1.7. Mokaba Agricultural Cooperative

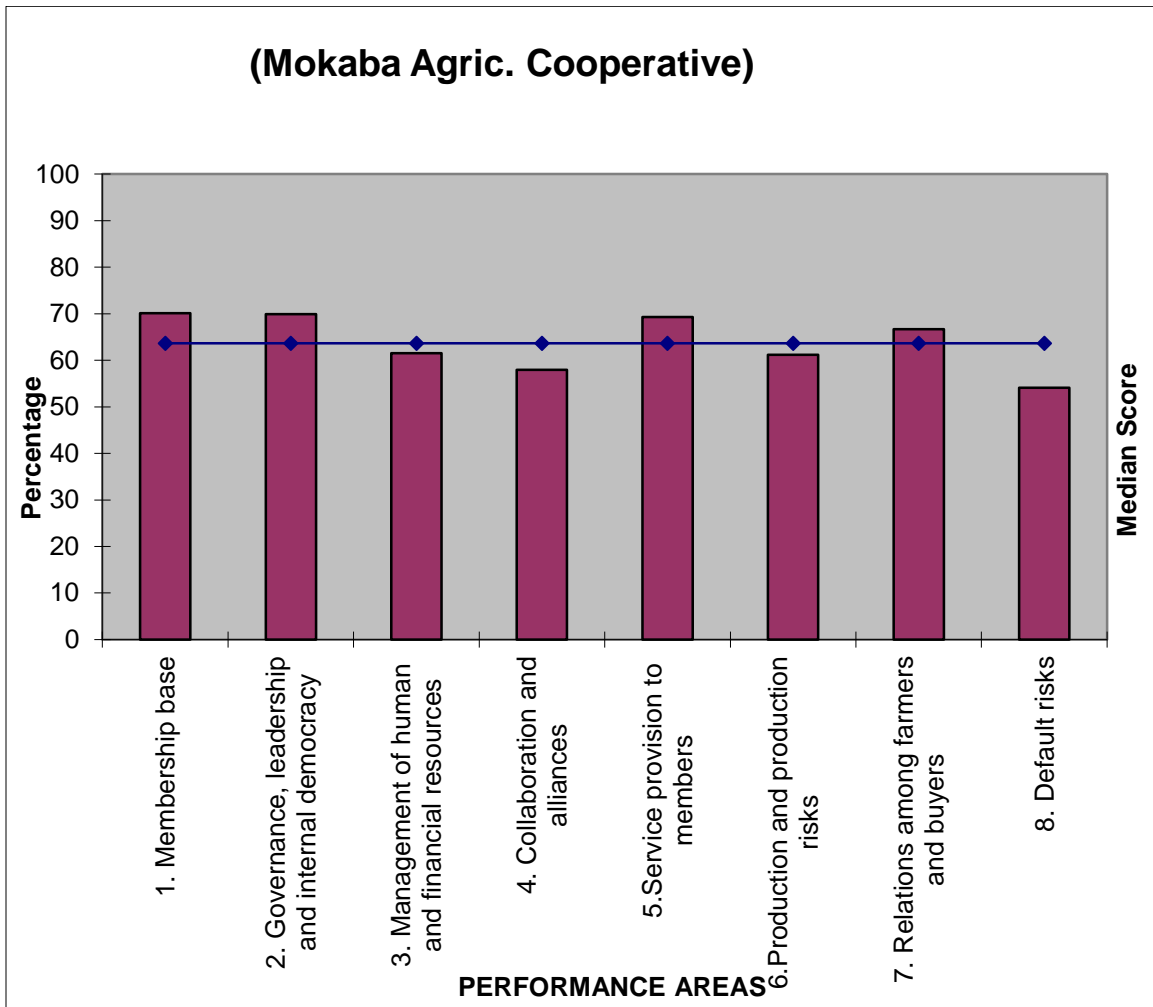


Figure 7: Overall scores of the perception of all members of Mokaba Agricultural cooperative.

Source: Own calculations

The cooperative table indicate the minimum score of 54 on Default risk; the maximum score of 70 membership base and governance, leadership and internal democracy, with the median score of 63.6.

4.1.8. Mapela Agricultural Cooperative

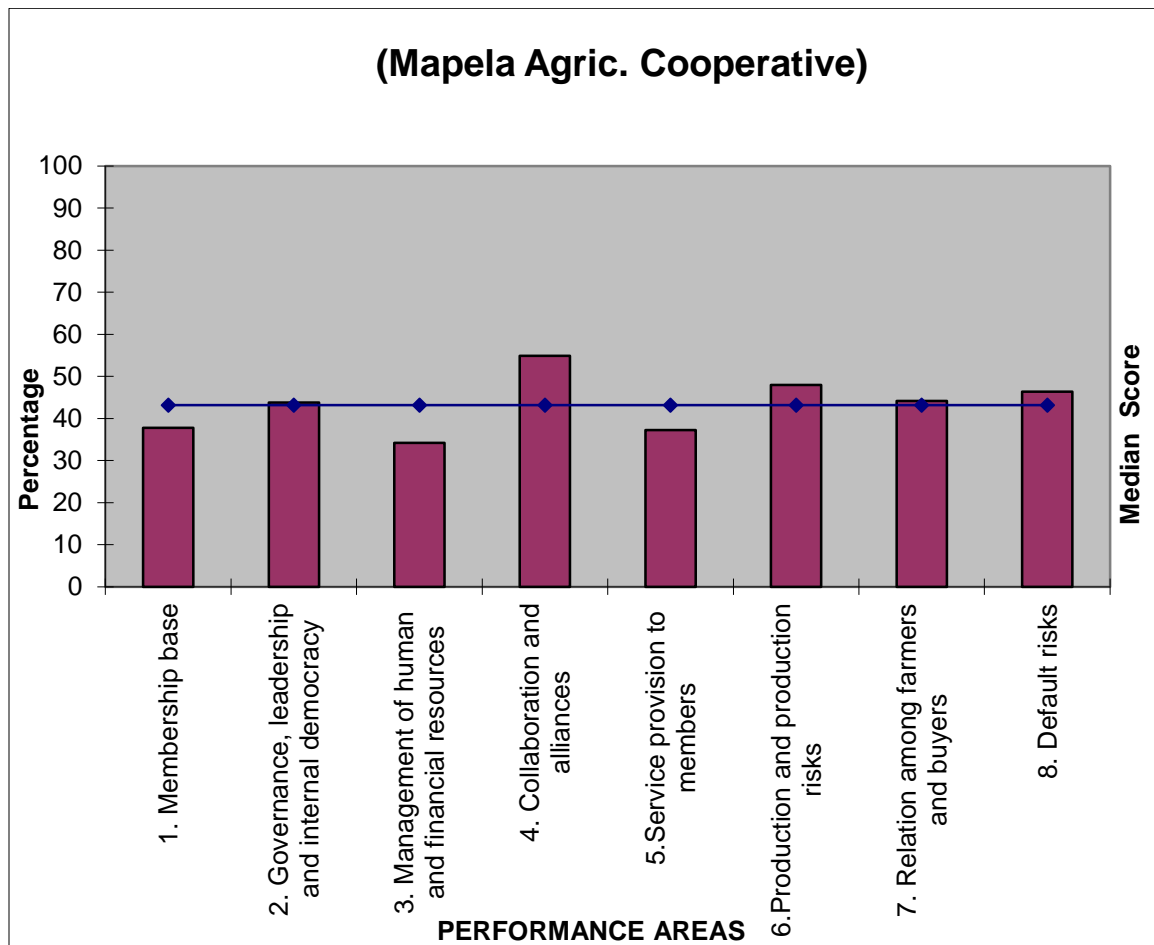


Figure 8: Overall scores of the perception of all members of Mapela Agricultural cooperative.

Source: Own calculations

Mapela Agricultural cooperative results indicate the minimum score of 34; the maximum score of 55, with the median score of 43. The cooperative score the lowest compared to other seven cooperative.

The conceptual relation that will be tested is the Management of human and financial resources between two collective actions (Koputjanang Close Cooperation and Mapela Agricultural cooperative). In comparison to Koputjanang Close Cooperation, Mapela results shows the minimum score of 34 on Management of human and financial resources compare to the

score of 73 on Default risk of Koputjanang Close Cooperation. The maximum score of 55 on Collaboration and alliance compared to 89 on Governance, leadership and internal democracy and service provision to members. The median score is 43 for Mapela compared to 81.5 of Koputjanang Close Cooperation. The performance of the two collective action thus give the impression that type of collective action and membership number have the influence on the performance of the collective action.

4.1.9. The overall performance of eight assessed Collective Action.

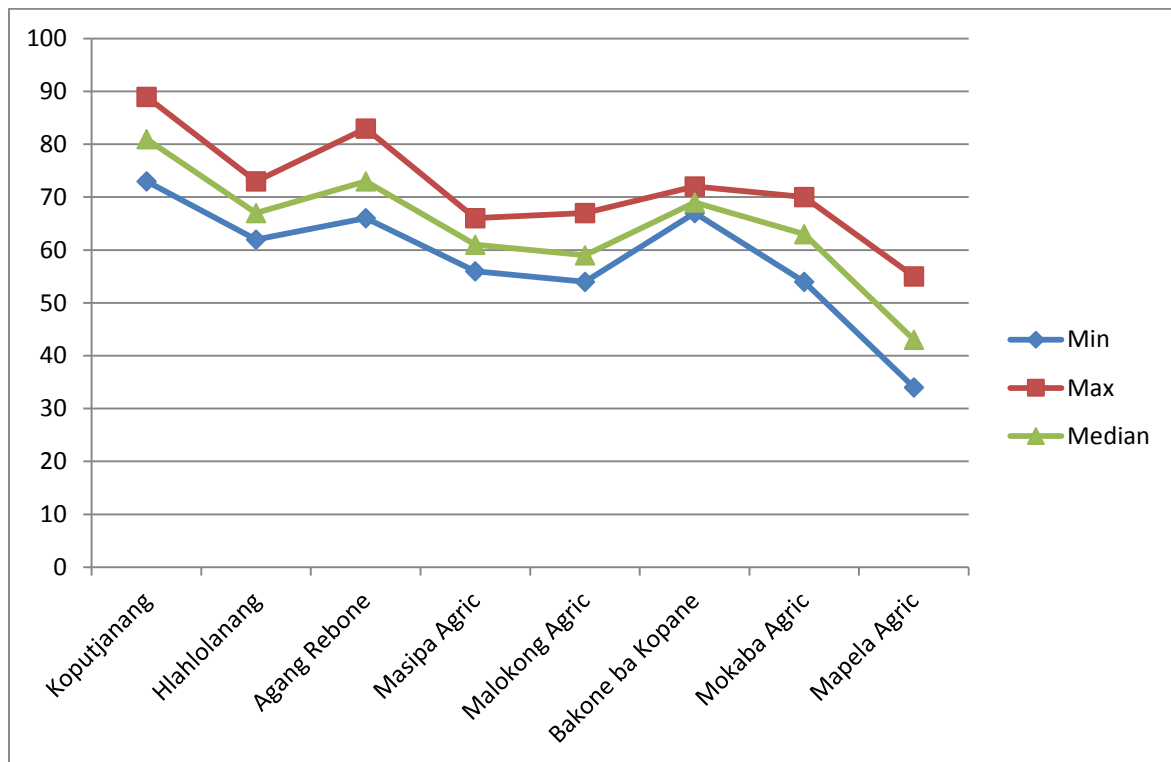


Figure 9: Overall performance of eight assessed Collective Actions.

Source: Own calculations

The above table indicate that Koputjanang out performed all the collective action with the score up to maximum of 89, the median score of 81 and minimum of 73, followed by Agang Rebone with maximum score of 83, the

median score of 73 and minimum of 66 and Mapela with the lowest score of 55 on maximum, the median score of 43 and minimum score of 34.

However, Mapela was considered for the results analysis due to the high number of respondents (20) compared to Aganang Rebone Cooperative with 5 respondents and Koputjanang Close Cooperation with 6 respondents.

4.2. Perception of the Members of Mapela Agricultural Cooperative

Firstly the focus is on comparing the results of eight performance areas used to measure the performance of the cooperative. Thereafter the results of the individual performance area (component) from members of Mapela Agricultural cooperatives, including the members of the management committee are analysed.

4.2.1. Characterized of Mapela Agricultural cooperatives.

Age (Years)	Gender	Years of membership	Highest standard passed	Post Matric Qualifications
23-80	F= 11 M=9	2-44 years	Grade 12	4 Member have degree qualification (2 male and 2 female)

The graphs below will illustrate the assessed areas with supporting statements. The variables that will be used in the analysis will be the maximum score; minimum score; the median score and the standard deviation. The maximum score will show the highest score achieved per statement; the minimum score will indicate the lowest score or less satisfied statements; the mean score was found to be statistically not valid and

decided to use the median score since it is more representative. The standard deviation will show the differences among members or statements, the standard deviation below 1.5 signifies is reasonable differences and above 1.5 indicate that members have different point of view in the assessed areas.

4.2.1. (a) The overall scores of the eight performance areas for all the members of Mapela cooperative.

The average scores of the ratings of the respondents' perception of the performance of Mapela cooperative for the eight performance areas considered in this research are shown in Figure 10(a).

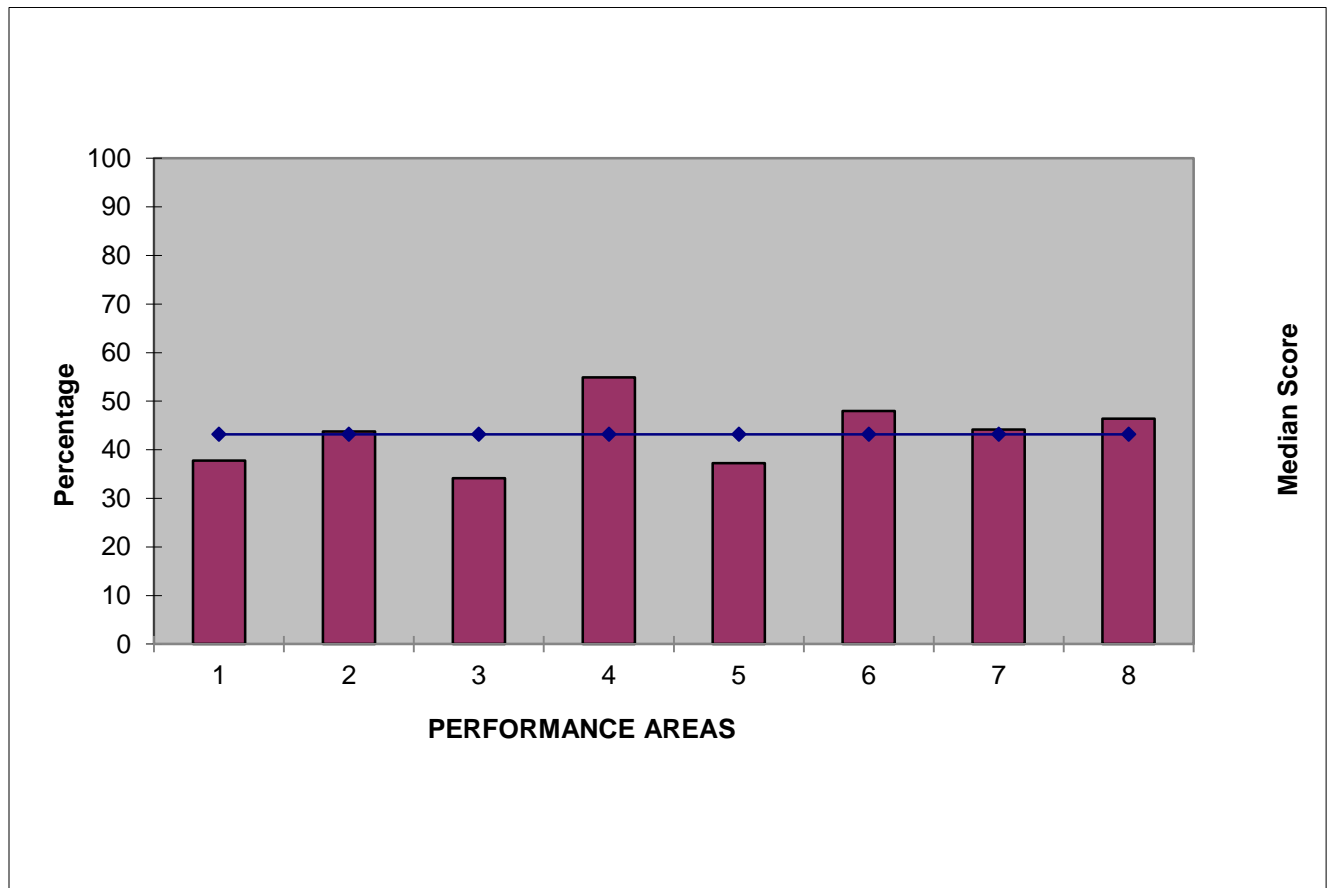


Figure 10(a): Overall scores of the perception of all members of Mapela Agricultural cooperative.

Source: Own calculations

- Notes: 1.Member base
2. Governance, leadership and internal democracy
3. Management of human and financial resources
4. Collaboration and alliances
5. Service provision to members
6. Production and production risk
7. Relationship among farmers and buyers
8. Default

Figure 10(a) shows that the overall performance of the eight performance criteria indicate that the members of Mapela cooperative perceived poor performance of the cooperative. The median score is only 43.2, with a minimum of about 34, maximum of about 55 and standard deviation of 1, which implies almost same view point of members on the assessed statements. The lowest score for the management of human and financial resources suggests that members of the cooperative show a great concern for the management of human and financial resources and for service provision to members. Other performance criteria that were rated below average include member base (1), management of human and financial resources (3) and service provision to members (5). The rating suggests that immediate intervention for better performance of the co-operative is urgently required.

Albeit lower than 55, the aspects that were rated the highest include collaboration and alliance (4); production and production risk (6); default risks (8). Members were highly satisfied with the aspects, which is supported by the standard deviation of 1, meaning that members have same viewpoints to the statements. Ultimately the low scores as rated by the members suggest that there is a major need for intervention to assist the cooperative to serve its members in order to facilitate their participation in commercial agriculture in South Africa.

4.2.1. (b) The overall scores of the eight performance areas for the Managers of Mapela Agricultural cooperative.

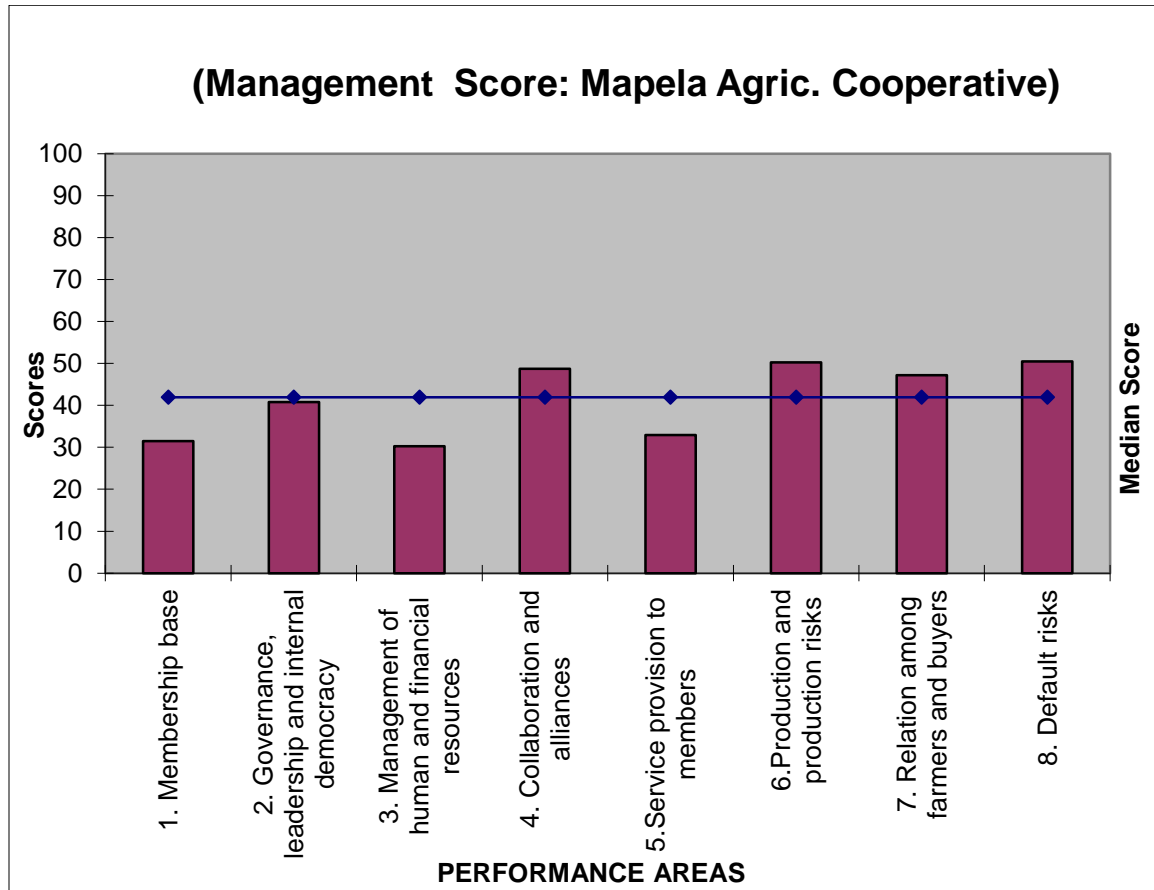


Figure 10(b): Overall scores of the perception of Managers of Mapela Agricultural cooperative.

Source: Own calculations

Figure 10(b) shows that the overall performance of the eight performance criteria from managers indicate that the members of Mapela cooperative perceived poor performance of the cooperative. The median score is only 41 compared to 43.2 of all members, with a minimum of 31 compared to 34 for all members, maximum of about 51 compared to 55 and standard deviation of .39 compared to 1, which means that managers tend to understand their activities the same compared to ordinary members.

The lowest score is the management of human and financial resources which is the same as the ordinary members respond. Other performance criteria that were rated below average include member base (1), management of human and financial resources (3) and service provision to members (5). The rating indicates almost the same scoring between the members and the management, although the standard deviation is different.

4.2.2. Membership base

Mapela Agricultural cooperative members rated the level of satisfaction of members using nine questions, and the average scores are presented in Figure 11.

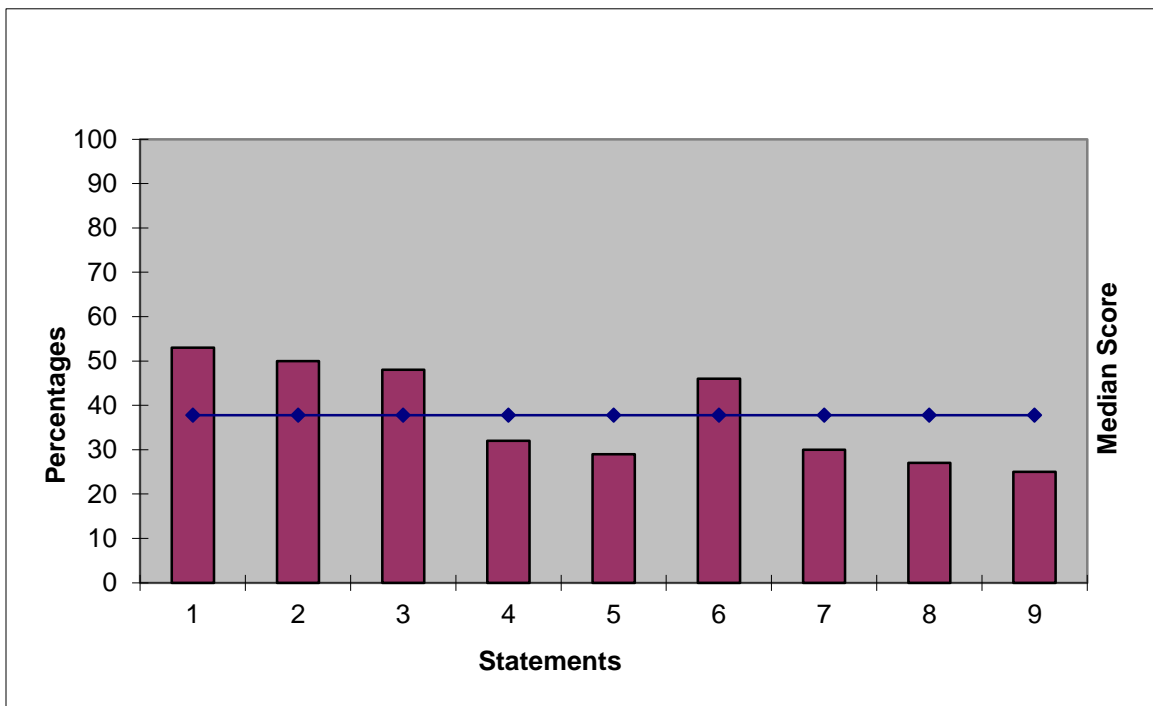


Figure 11: Membership base of Mapela Agricultural cooperative

Source: Own calculations

- Notes:
1. Our farmer group has clearly formulated the objectives it wants to reach.
 2. These objectives are shared with all individual members.
 3. The conditions for adhering to our organisation are clearly defined.

4. In our community all people who want to can be member of our farmer group.
5. Our organisation actively seeks the adherence of new members.
6. We have a member register that is up-to-date.
7. Internal communication within our organisation is well organised: members are well informed.
8. All members regularly pay their membership fees and other contributions.
9. All members actively participate in the activities of our organisation.

Figure 11 shows the median score 38 for a membership base. Again the scores for the different indicators range between about 25 and 53. The situation clearly shows that membership participation in the cooperative is still a great concern and members are not willing to contribute financially as patronage. However, the standard deviation of 1.3 implies the less difference among members.

The indicators that were rated the lowest include refusal to allow membership from the community (4), which is linked to no adherence of new members (5) and members not informed about the cooperative activities (7). Very important is the lack of members making financial contributions (8) and less participation of the members in day to day activities of the cooperative (9). Thus in terms of the membership base the membership is very low, leading to low benefits to the socio-economic activities in the community and the cooperative principle emphasises or recommends the recruitment of members who usually volunteer from the community. It is further recommended that new members bring innovative ideas and financial contribution that will improve the management of the cooperative. The equal participation of members is vital but detrimental when the membership exceeds the activities or enterprises and the recommendation is that other members (pensioners or unproductive members) might be shareholders

while capable members can be labours and shareholders. Alarming, even the indicators that were rated the highest are still rated about 50 % and lower. The other four variables indicate better performance on documentation of records, namely filed records of the objectives (1) and a list of up-dated membership (6). The co-operative generally needs to improve and put more emphasis on the possibility of new recruitment, innovation and source financial muscle in the farming business to enhance the rational or satisfying members of its cooperative. The indicators that scored above average include the business plan that contains the target objectives. The business plan and the constitution need to be revised and shared among members to ensure equal understanding of the objectives and conditions of the cooperative.

Attention should be paid to all indicators. For the purpose of participating the focus should first be on the poor scoring of members' participation. This finding is supported by Olson (1965), who states that individuals of the group tend to fail when addressing the group needs. The tolerance of community participation/social indicators was found to have an influence on the default of rural cooperatives (Fulton, 1999). Mapela cooperative is performing below the average of 38% on communication (Statement 1) and Develtere (2008) states that communication is a critical area in alerting members of the status quo of the cooperative. Transformation of a cooperative can be achieved only by improving member financial commitment (Fulton, 1999). Agrawal *et al.* (2003) state that member control is also dependent on member funds, which means the member funds and profitability performance are the drivers of cooperative economic growth.

4.2.3. Governance, leadership and internal democracy

The average scores of the ratings of the respondents' perception of the performance of Mapela cooperative for the 13 statements considered in this research are shown in Figure 12.

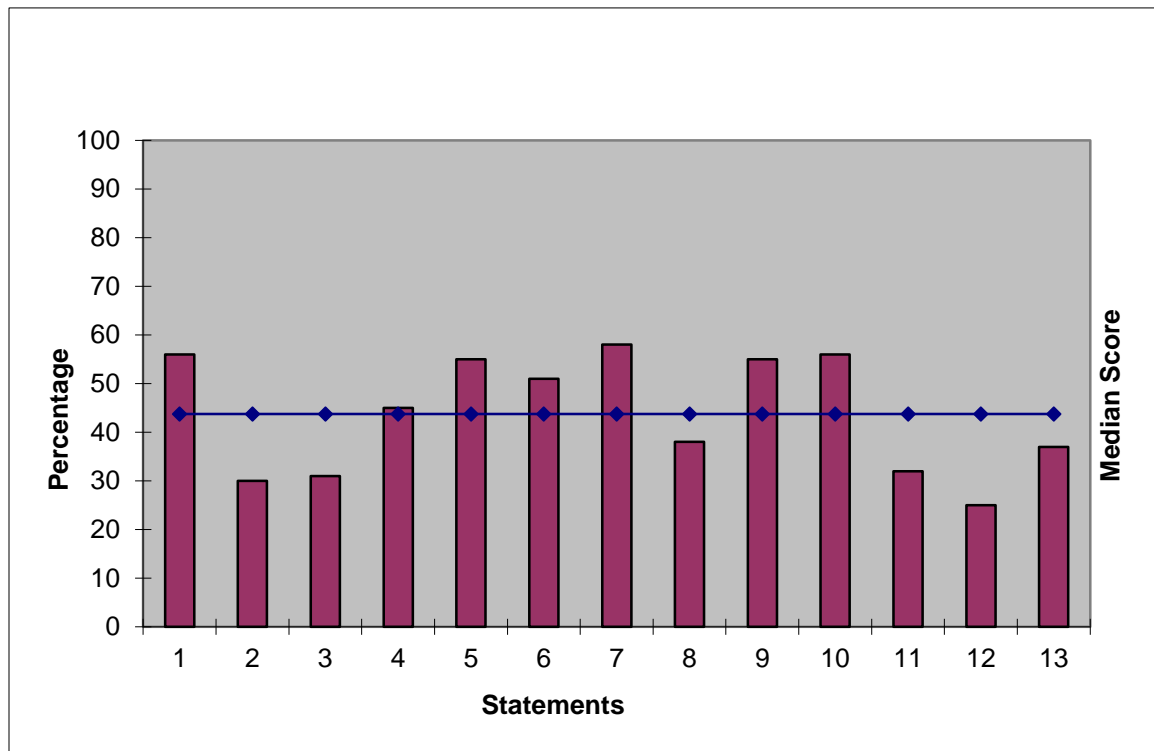


Figure 12: Governance, leadership and internal democracy of Mapela Agricultural cooperative

Source: Own Calculations

Notes: 1. The internal regulations of our organisation are well documented.

2. All members know the internal regulations.

3. The statutory bodies of our organisation (general assembly, committee/ board, etc.) function according to their mandates.

4 The members of the board/committee are democratically and transparently elected.

5. The duration of the mandate of a leadership position is well defined.

6. Criteria for being a good chairman are clearly spelled out.

7. Somebody who cannot write cannot become a secretary.

8 We have elected a treasurer who can correctly keep the books.

9. Women and youth are sufficiently represented in the elected bodies of our organisation.

10. Important decisions are taken during meetings where everybody can share his or her point of view.

11. Every year our organisation elaborates an annual plan that indicates what we are going to do.
12. Every year we evaluate the results that we have obtained.
13. Board/committee decisions get immediate follow-up and are implemented.

Members of the cooperative responded to governance with the median score of 44, ranging from 25 to 58. The indicators that scored below average include annual evaluation of results (12); internal regulation not known by members (2); committee members not working as mandated (3); treasury cannot keep books (8); decisions taken get continuous follow-up (13); annual plans are not attended (11). The above indicators are in ascending order and require remedial action to improve the situation of Mapela cooperative as shown in Figure 12. The respond to the statement scored fairly the same since the Standard deviation is 1.3.

The implications of the above results are that cooperative members do not work as a team, taking joint decisions and educating other members; this may lead to the collapse or bankruptcy of the cooperative. The indicators prove that the board of directors is not well capacitated to render or perform their duties. Furthermore, there are no systems in place to track their responsibilities or duties that need follow-up for the maximum satisfaction of the members and the proper running of the cooperative as the business. It is recommended that the board of directors be better capacitated and apply the *train the trainee system* so that all the members are empowered, work according to the agreed plans and the annual review is done for remedial actions to be taken when necessary.

Generally the members are satisfied with documented regulation (1); the board of directors were elected democratically for the specified period of office (4 and 5); youth and women were well represented (9); and important decisions were taken during the meetings (10).

The performance indicators above average imply that cooperative members try to comply with other activities and need improvement since they did not achieve 100%. To solve the problem, internal documents need to be filed and documented. The literacy level needs to be improved by presenting various workshops/training on leadership skills.

The areas of intervention for the effective running of a cooperative include the effective operation of the committee members, annual planning in the joint setting and review of the results on an annual basis.

Poor governance and a lack of managerial skills are the core problems affecting cooperatives (Nkhoma, 2011), leading to members not knowing or understanding their internal regulations. Boards of directors sometimes do not function according to their mandate by members (See the score above), which is linked to abuse of authority (Norbu, 2008).

4.2.4. Management of human and financial resources

The average scores of the ratings of the respondents' perception of the performance of Mapela cooperative in terms of the management of human and financial resources, using 12 statements considered in this research are shown in Figure 13.

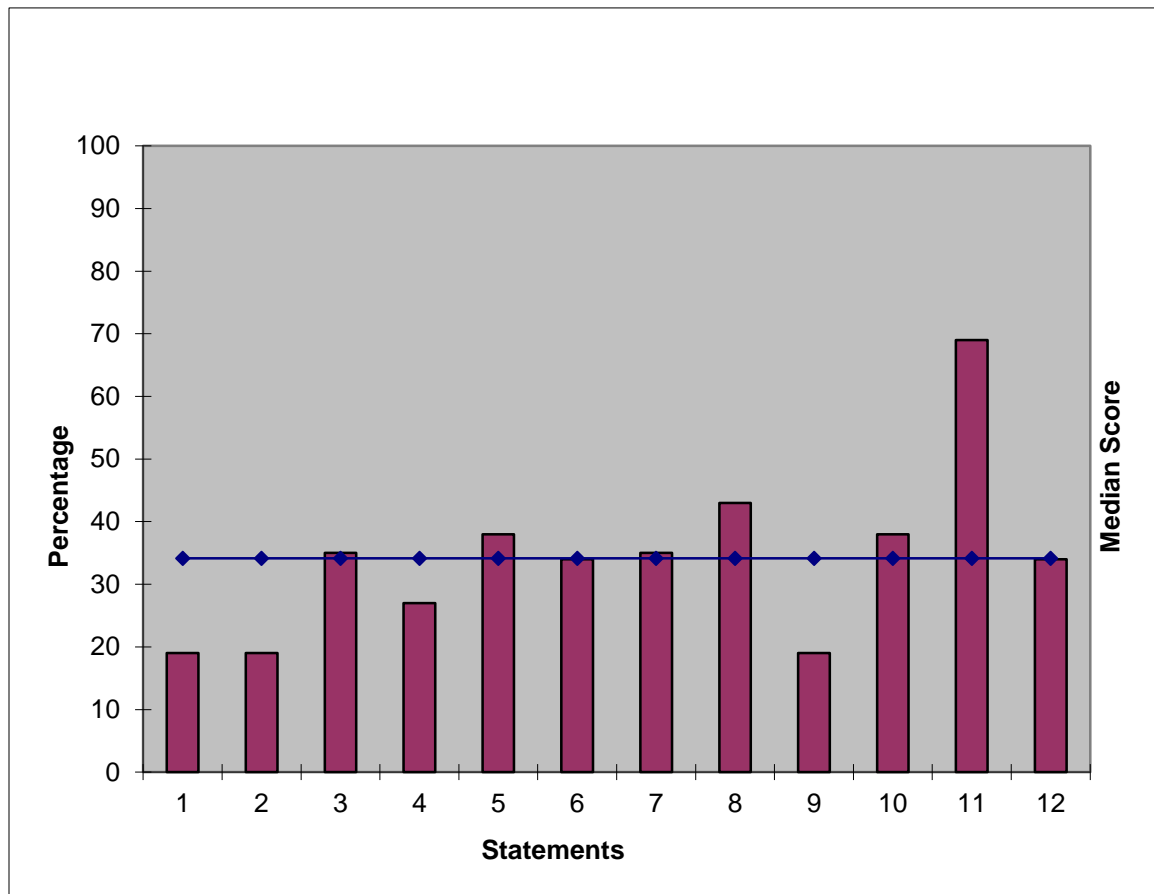


Figure 13: Management of human and financial resource of Mapela Agricultural cooperative

Source: Own Calculations

Notes: 1. The board/committee members have adequate competencies and skills to perform their tasks.

2. We have a training programme for our elected board/committee members.

3. Recruitment of staff / facilitators follows transparent procedures that are known to the members.

4. Our facilitators have adequate qualifications and skills to perform their duties.

5. The committee and members regularly evaluate the performance of our advisors.

6. We write down important financial data of the organisation.

7. Our organisation has a manual describing how money is handled.

8. Important documents are well kept.

9. Our organisation can function well without outside financial support.
10. When the organisation needs to buy something, the procedures for the procurement of goods and services are transparent.
11. Our group has a bank account.
12. Every year the board/committee explains how resources and income of the organisation have been used.

The median score for the management of human and financial resources is 34, ranging from 29 to 69. The statements that scored equally and above the mean are transparent recruitment of staff (3); committee and members regularly evaluating the performance of advisors (5); keeping data of financial of the organisation (6); the manual on how money is handled (7); keeping of important documents (8); procedure for the procurement of goods and service is transparent (10); cooperative having a bank account (11); and board of directors' account on how resources are used (12). The above results give the board of director's credit because human and financial resources are basic for the inception of the business entity. The highest scoring indicator above 50% is the cooperative having a bank account (11) with (69).

The performance indicators that scored above average are not convincing since the majority of the indicators scored less than 50% and this can lead to mismanagement of funds, poor recruitment systems and lack of evaluation of advisors. It is, however, recommended that the board of directors have a fair recruitment plan with a monitoring strategy and development of the procurement strategy.

Cooperative members are very concerned with the competency of the committee members (1) and there is no training programme in place to further capacitate them (2), while their skills competency is not sufficient (4) to manage the Mapela cooperative and grow into a commercial agricultural sector. However, the standard deviation is 1.1, which is considerable taking into account the distressed situation of the cooperative. The financial dependency syndrome is still prevailing in the cooperative as supported by the statement that the cooperative cannot operate without financial assistance (9). The average score of 34 implies less economic growth and member development of the cooperative and thus requires urgent intervention by developing training programmes on human and financial resource management as shown in Figure 13.

Kherallah and Kirsten (2002) stress that access to start-up capital, knowledge and training in business management, marketing and assertiveness towards work as the causes of non-performance of the cooperatives. The above findings prove that no training is in place for the committee members. Collective action in general faces challenges that include sharing common interests with members; conflicting interests tend to be a major problem and the cost of running the collective action is often high (Olson, 1965). Similar to the research findings Simelane (2011) points out that the developmental programmes in developing countries are designed to develop smallholder farmers who are unable to do so, especially at the initial stage.

Furthermore Mohamed (2004) discovered that the majority constraints of cooperatives involve a lack of access to finance, lack of trust that results in

poor quality of services provided, lack of professional management, misappropriation of funds, low commitment and participation by members, lack of timely market information and a high price of agricultural inputs.

The competencies and skills of the board of directors (1) are below average (34) and supported by Kispal-Vitai (2012), stating that competent professionals migrate from rural to urban areas.

4.2.5. Collaboration and alliance

The ratings of the respondents' perception of the performance of Mapela cooperative regarding collaboration and alliance, using eight statements considered in this research are shown in Figure 14.

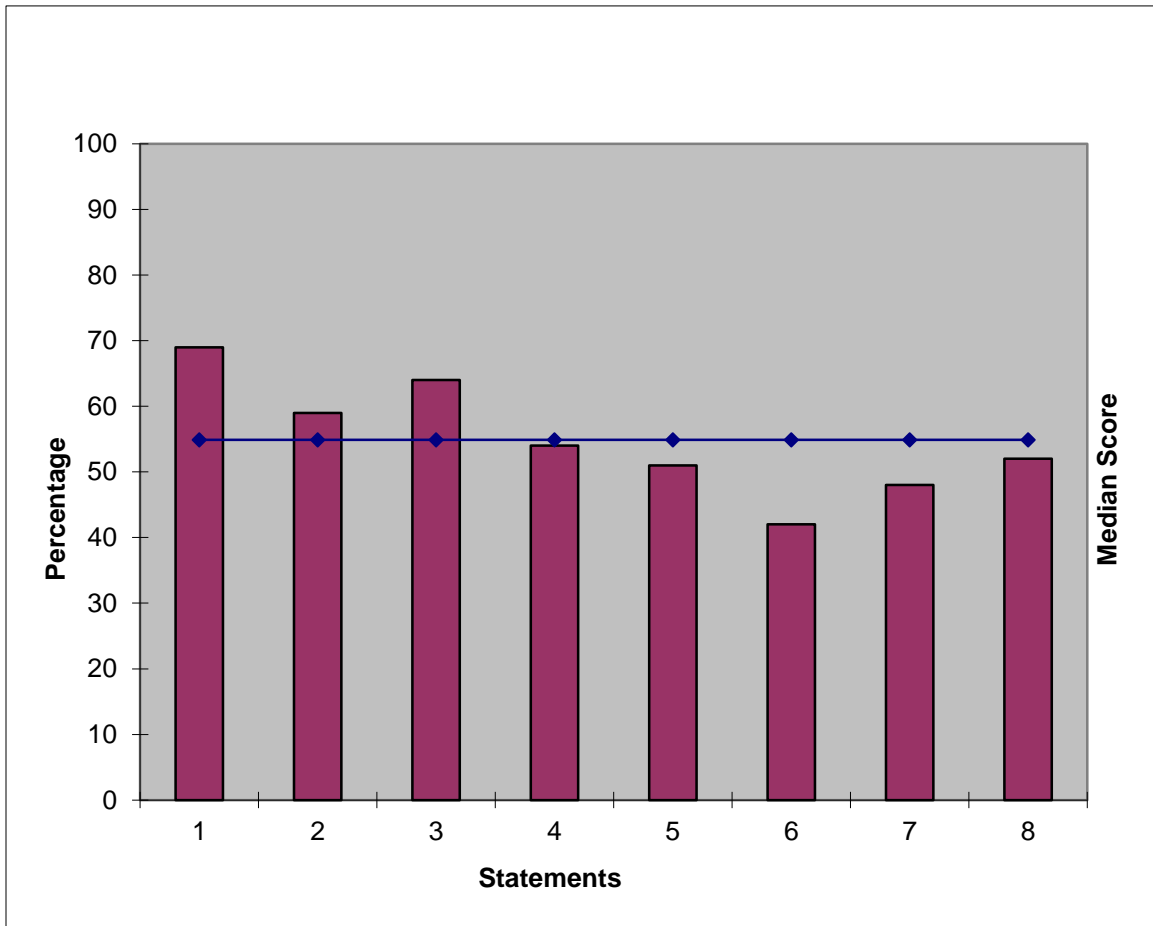


Figure 14: Collaboration and alliance of Mapela Agricultural cooperative.

Source: Own Calculations

Notes: 1. Our organisation is legally recognised.

2. If we want something to be done we seek collaboration with others.

3. We work together with local authorities.

4. We approach researchers and extension workers to find solutions to some of our problems.

5. Our organisation works together with non-governmental organisations and projects.

6. Our organisation has formal relations with private enterprises.

7. Our organisation actively participates in meetings of other organisations.

8. We exchange our experiences with other producers.

The collaboration of the Mapela cooperative shows that members are aware that they are legally recognised, and are aware of the importance of patronage and good working relations with the tribal authority as indicated in Figure 14. The median score is 55, which is better compares to other indicators with an average score of less than 50. The minimum score is 42 and the maximum score is 69. The standard deviation is 1.1 indicate the less misunderstanding between the members. Indicators above the average show that members are aware of the cooperative's legal status (1); ability to seek collaboration (2); and work closely with the local authorities (3). The above results indicate that the cooperative is legally registered and has sound working relations with the local key stakeholders (e.g. local authority). However, it is illegal to operate with a cooperative name while not registered with the Companies and Intellectual Property Commission. It is recommended that the cooperative improve the collaboration with other stakeholders for maximum performance of the cooperative. There is less participation and exchange of ideas (7 and 8), which implies poor networking of agricultural stakeholders. There is a lack of contractual obligation due to stringent requirements of the market or strategic partners. However, it is rational to have formal relations with relevant stakeholders with attached responsibilities for possible solutions.

Van der Heijden *et al.* (2010) and Jordaan *et al.* (2014) emphasise a lack of support services as the other field affecting the performance of the cooperative. The coordination between cooperatives is influenced by two variables, namely trust and dependence (ICA, 1995). However, the

cooperative is legally recognised and characterised by a strong element of collaboration.

4.2.6. Service provision to members

The average scores of the ratings of the respondents’ perception of the performance of Mapela cooperative service provision using nine statements in this research are shown in Figure 15.

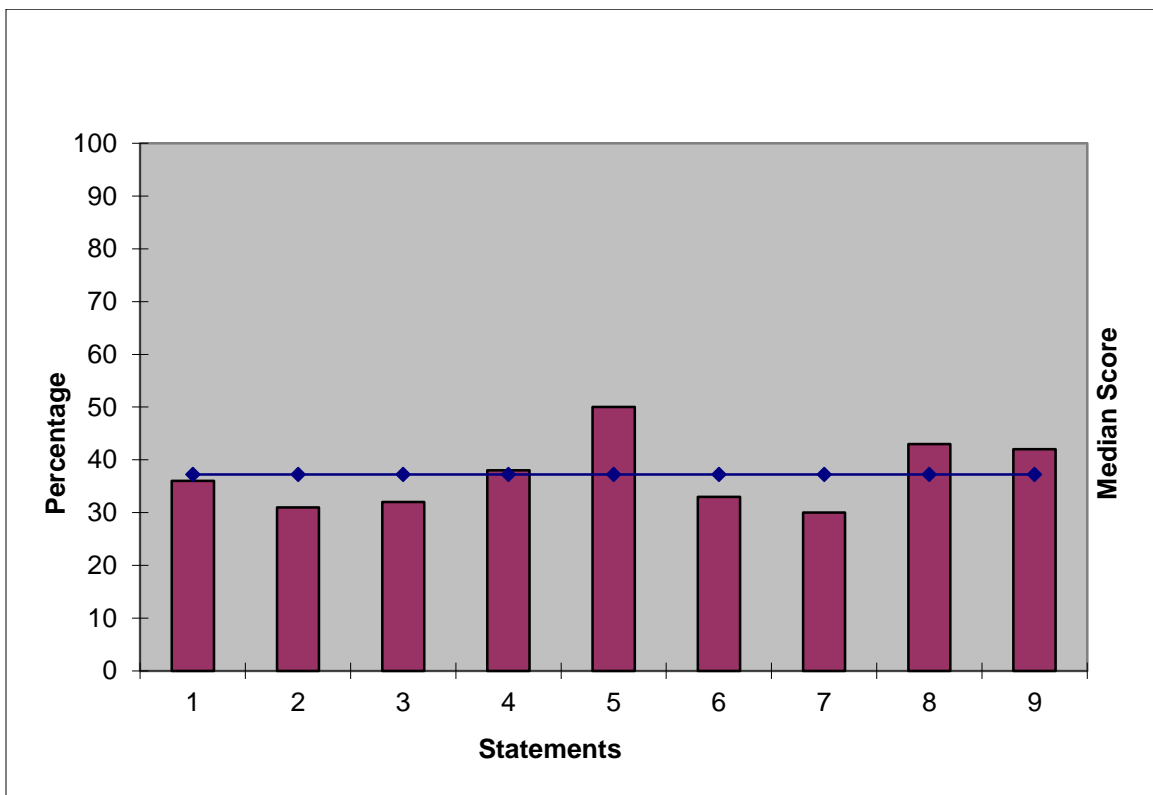


Figure 15: Service provision to members of Mapela Agricultural cooperative

Source: Own Calculations

- Notes:
1. The services of our organisation respond to the needs of its members.
 2. Our organisation defends the interests and needs of the members.
 3. Our organisation is efficient in providing information and training to members.
 4. Thanks to our organisation we can have inputs (seeds, fertilizer, pesticides) we would otherwise not have.
 5. We collectively sell our products through our organisation.

6. Our organisation facilitates access to credit and other financial services.
7. Our organisation asks its members if they are happy with the services that are provided.
8. Our organisation timely produces activity reports and/or discusses the activities during official meetings.
9. If I were not member of the farmer group, I would earn less.

The members scored the median of 37, which is very low as shown in Figure 15. The scores range from a minimum of 30 to a maximum of 50. The board of directors does not defend the interest and needs of its members (2). This is why members are not happy with the service they receive (7). Capacity building is also a limiting factor (3) that affects the rational operation of the cooperative and there are no ways that the needs of the members can be met (1), which poses a serious threat and needs some strategies to revisit grey areas of the cooperative. The majority of the respondent scored fairly the results due to the standard deviation of 1.1.

The above results imply that the cooperative is not satisfied with the service rendered by the board of directors because they do not defend their interests. The board of directors might be fulfilling their interests and misrepresent the cooperative, which eventually leads to limited support from the non-board members. The statement to which the respondents agreed the least relates to the degree to which the organisation asks its members whether they are satisfied with the services provided (7) and needs the immediate intervention for the cooperative to improve its service to members. However, the members prove to be partly satisfied with the service they receive in terms of the cooperative collectively selling its products (5). The statements that scored above average are below 50%, indicating that there is much that needs planning, access to finance, financial reporting and evaluating

themselves by asking members if they are satisfied with the service (Gassan 1977a; 1977b). The members' needs and interest are linked to socio-economic pressure (youth unemployment and value added infrastructure) that can also be used to give a final indication of member satisfaction (Dakurah *et al.*, 2005). The monitoring and evaluation system needs to be developed to track the milestone of the cooperative and to ensure improved service to members.

4.2.7. Production and production risk

The average scores of the ratings of the respondents' perception of the performance of Mapela cooperative production and production risks using the twelve performance areas considered in this research are shown in Figure 16.

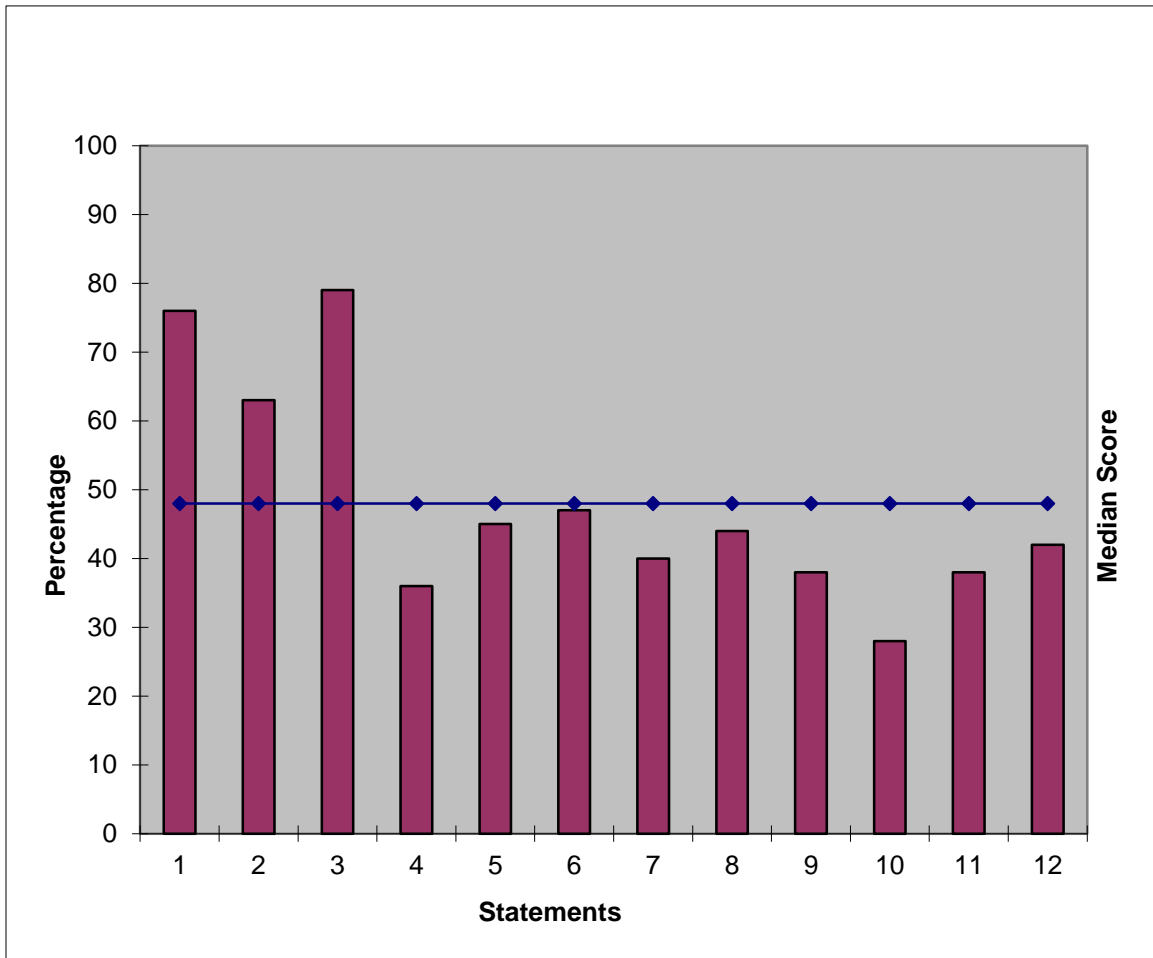


Figure 16: Production and Production risk of Mapela Agricultural cooperative

Source: Own Calculation

Notes: 1. Our land is suited for growing/rearing the enterprise.

2. The production of enterprise takes a large part of our land.

3. We can produce enough products even if the rains are bad.

4. Even with small production we make benefits.

5. The costs of production inputs are low

6. If my harvest fails I do not need to deliver products to the firm.

7. Our production is predictable: we know how much we will produce.

8. I am sure of producing good quality.

9. We know how much the firm wants to buy from us.

10. The company provides all necessary inputs we need for the production of the produce.
11. If I need I can get credit at the bank to finance production costs.
12. We know the quality requirements of the firm.

Figure 16 shows the median score of 48, with the minimum score of 28 and the maximum of 79. The members of the co-operative show great unhappiness with return on investment (4) and high input costs (5), with unsecured product quality (8) and market (9). The status of the cooperative shows that members' financial muscle is weak since they cannot provide all necessary inputs for production (10). It is further supported by the same respond from the farmers with the standard deviation of 1. The above findings explain the high debt of the cooperative since they cannot afford the daily operations of the enterprise without the assurance of the quality and the market of the products. The above uncertainties suggest that market research needs to be done for suitable commodities; sufficient funding of production needs to be secured; and technical support needs to be obtained for good quality produce to commercialise the cooperative operation.

However, members are fairly happy with resources acquired from the tribal authority (arable land) (1), whereby the production of *enterprise* takes a large part of our land (2). Limpopo province is characterised by low rainfall patterns and the occasional high rainfall does not affect the targeted yield. The result implies that there is sufficient land without a proper plan on how to invest optimally and ensure better yields. The recommendation of the cooperative is to utilise the limited land, guided by the market quality and quantity demand and availability of the funding.

The poor performance of a cooperative is caused by a lack of necessary inputs and the inability to source funding from financial institutions.

4.2.8. Relationship between farmers and buyers

The ratings of the respondents' perception of the performance of Mapela cooperative regarding the relationship between farmers and their buyers using twelve variables considered in this research are shown in Figure 17.

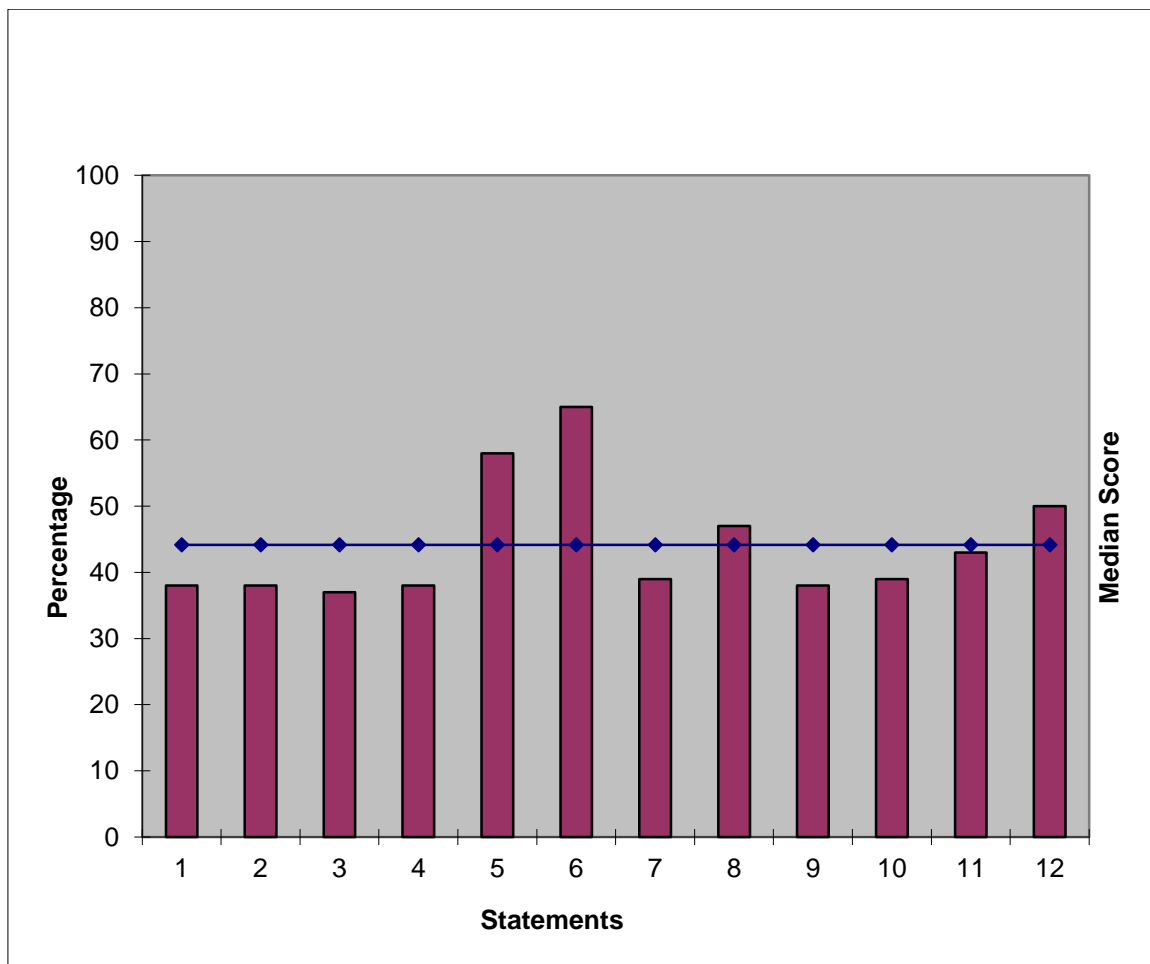


Figure 17: Relationship between farmers and buyers of Mapela Agricultural cooperative

Source: Own Calculations

- Notes:
1. I know precisely what is written in the contract we have with the company.
 2. I know how the cooperative is adding value to produce.
 3. I am happy with the price that is paid for the products.

4. I understand the reasons when the firm changes the price they pay for our products.
5. The better the quality of the products results in the higher the price I get.
6. If I deliver more, I get a higher price per kg (premium).
7. I am happy with the current method of payment.
8. We control the quality of the products before delivering them to the company.
9. We get sufficient training from the cooperative to produce more and higher quality.
10. We always deliver our produce on time at the collection points.
11. We have books where we write down the quantities of products that we delivered.
12. We accept it when our products are rejected because of insufficient quality.

The responses to the question on the relationship between farmers and buyers showed the median score of 44, with the highest score of 65 and the lowest score of 38. The standard deviation of 1, signify having the same understanding and respond of the questions. A small-scale emerging cooperative does not have any formal relation with stakeholders (1) or the processing facilities to add value to their produce (2). The macroeconomics (Consumer Price Index) does not affect the daily operative and that is why the inflation/price changes (3 and 4) affects less business income or loss. In some cases farmers are not satisfied with payment to the bank (7) since they believe that the bank overcharges them for services. Due to a lower literacy level and limited training (9) in the farming/business sector, farmers normally do not register the products per cycle (11).

There is a tie on score 38 on the content of the contract (1); the urgency of the value adding infrastructure (2); reason for the price change (4) and lack of capacity development (9), which signifies the common understanding of the contract and its contents. It is clear that the cooperative is somehow operating in non-formal business ethics that will lead to the loss of viable or bankable strategic partners, resulting in co-operative redundancy. Remedial

actions include training members on business consciences and running the cooperative as business rather than as wealth. However, the opportunity of value addition is overlooked by most primary cooperatives, which is closer to the mainstream economy for most producers.

Small scale farmers' involvement of Agricultural processing is the only solution to secure formal market contract (Baloyi, 2010). It is further underscored that high value crops in a value chain warrant a better price for the products, while Mapela cooperative is dissatisfied with the price paid to their products due to normal crops and no value addition in the cooperative. The shortage of a value chain tends to put pressure on cooperative decision-making (Condo and Vitaliano, 1983), but the cooperatives responded positively to accepting their produce when they are considered rejects.

4.2.9. Default

Figure 18 shows the mean score of the ratings of the respondents' perception of the performance of Mapela cooperative regarding default, using thirteen statements to validate the analysis.

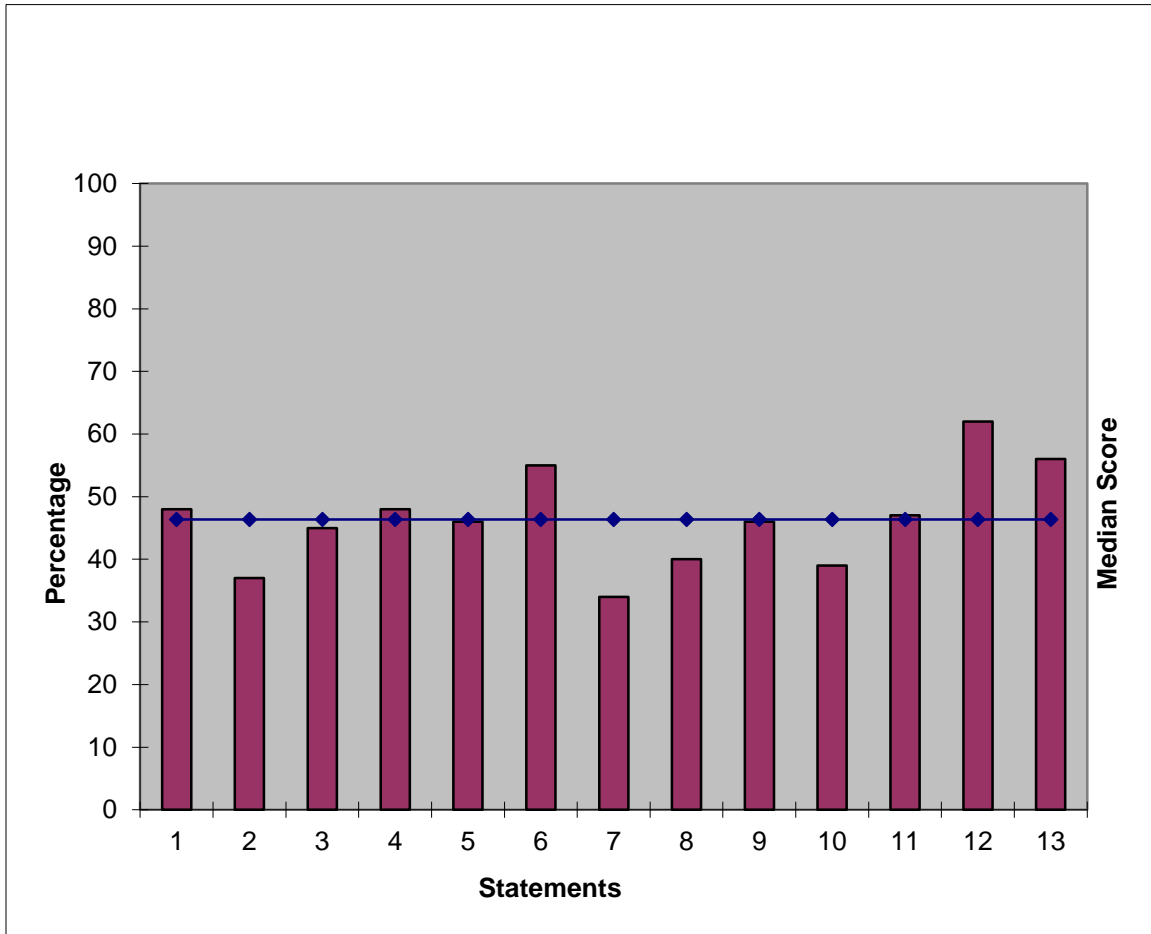


Figure 18: Default of Mapela Agricultural cooperative

Source: Own Calculation

Notes: 1. We do not have outstanding loans with the co-operative.

2. The co-operative always delivers the inputs according to the contract.

3. We do not have to wait long for the company to collect the produce.

4. If a member of our farmer group delivers to another buyer, he will be kicked out.

5. I do not have to wait long to get paid for the produce I delivered.

6. The sale of the produce is my most important source of income.

7. The cooperative does what it promises to do.

8. The contract is clear about how to handle disputes.

9. If there is a problem, we first openly discuss matters with the company staff.

10. If I sell to another buyer my farmer group will no longer be able to sell to the current company we do business with.

11. I would be happy to contribute some money per kg for the benefit of my farmer group.

12. If the prices agricultural produce go down in the rest of South Africa, the cooperative will sustain a big loss.
13. If another cooperative would offer a better price, we would sell to that cooperative.

The performance of the stakeholder collaboration shows a maximum score of 62 and a minimum score of 34, with the median score of 46 as shown in Figure 19. Mapela cooperative does not have a formal relation with other stakeholders where it can be charged for defaulting, which is supported by the fact that their delivery is not binding (2); and collection is any time (3).

The cooperative does what it promises to do (7), with the score (34) still below the average score (46), which implies fewer member expectations. The conflict or dispute with external stakeholders is very limited since there no service level agreement between the Mapela cooperative and the market has been entered into (10). However, there is still a challenge on the expectations of the cooperative to members, while the other contributing factor is the co-operative meeting its contractual obligations. The above results are supported by the standard deviation of 1.5, vindicating the fact that members have different view on default.

The implication is that there is no formal relation with stakeholders which results in unmarketable produce and low price paid to the co-operative. Formalising business deals, like securing the contract, will help improve the produce of the cooperative that will result in better price paid to the members.

Nonetheless, members scored above average on the lack of outstanding loan repayments (1); free marketing arrangements (4); awareness that the sole

source of income is sales (6); individual financial injection into the co-operatives that can boost the returns (11) and the global market of the agricultural produce that has an effect on their local price (12).

The solution to the above results is that members need to source financial injection or give individual financial support for the smooth running of the cooperative. To minimise the impact of the global market price on the price of the cooperative produce, farmers need to have future contracts, both locally and nationally.

Baloyi (2010) has found that the value chain approach can help farmers access credit/loans. Louw *et al* (2008) show how stringent requirements of agricultural have caused small firms and farms to go out of business under the new competitive pressures, resulting in the exclusion of domestic firms. Cooperative advantage drives the cultural values in collective action, which influences decision making in the business (Kispal-Vitai (2012),

The other technique that was used to investigate the status of Mapela Agricultural cooperative was to ask the following questions from the members:

1. Does the cooperative have the business plan?
2. Are the products prices according to demand and supply principle?
3. Does the cooperative have the property rights?

The motive for selecting the above question is that they are the pillars of the business and failure to have one can lead the business to solvency or liquidity. The feedback from the members (20) indicates that, 40% of the

members does not have or know the business plan and 60% have or know the business plan. On the pricing of the products, 65% of the members said the produce are not priced according to demand and supply principle, and 35% of the members said yes produce are priced according to demand and supply principle. The results of the property rights indicate that 80% of the members are convinced that they have they have property rights and 20% of the members do not have property rights.

CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

This chapter outlines the problem statement, the aim of the study, the conclusion and makes recommendations for the success of agricultural cooperatives to meet members' expectations.

5.1. CONCLUSION

The government/stakeholders consider cooperatives as the catalyst in addressing social dilemmas and in improving the economic status of developing areas. Resources (money and training) have been spent, trying to develop cooperatives so that they can meet the members' expectations. Various researches have conducted a study on the poor performance of smallholder farmers' co-operative and the focus was more on external factors than internal factors, like a lack of transparency, abuse of power, etc. The limited internal cooperative information requires intervention in the form of research to find out why members are not satisfied with the performance or the services rendered by their cooperative.

Hence the aim of this research is to explore the level of members' satisfaction regarding the service rendered by the board of directors as democratically empowered by members. The identified areas of study to investigate the performance of the cooperative as expected by ordinary members include the member base; governance and internal regulation; the

management of human and financial resources; collaboration and alliance; service provision to members; production and production risk; the relationship between farmers and buyers and default risk, etc. The performance of the cooperative in all the assessed have scored well below 50%, which means unhealthy business feedback for cooperative members. Generally, all the assessed areas have low scores, which imply that members of the cooperatives do not enjoy the benefits of the collective actions. The concluding remarks below give the specific statement results.

The membership base indicates the weak point: smallholder cooperative membership is closed, especially to community members and they are not willing to seek advice from other members. Considering the fact that business exists within the community that must have the concern of the community, it is critical that potential members, especially the youth, be seconded to the cooperative as business. The communication in the cooperative is very poor, which leads to poor participation of members because they are not informed of other activities, like financial contribution and meetings of other organisations. The feedback that goes to ordinary members is that the board of directors operates in isolation from the members and do not update them regarding cooperative activities.

However, the documents like the business plan and statute, which indicate the objectives of the cooperative, are well kept and shared with the members, since they have obtained a higher than the average score. It is evident that cooperative members have documents that they have read once or have not had time to revise. The low score on the membership base implies that a succession plan for the cooperative is not in place and the

level of education is low, which hinders the future prospects of the cooperative. Active members with financial contribution to the cooperative can be kept as labourers; pensioners with or without financial contribution to the cooperative must just be shareholders to avoid that an exorbitant number of members exceeds the activities of the cooperative.

The governance, leadership and internal democracy assessment area indicate the low scores which imply the members are not aware of internal regulations. The board of directors are also not performing their functions as mandated. The annual plans of cooperatives are not drawn or reviewed. The conclusion is that a cooperative is formed for the people and it is not because of their own initiative; this is why there is no plan of action or follow-up for future development. The decision by the Companies of Intellectual Property Registration Office (CIPRO) to dissolve the dormant cooperative has minimised a large number of cooperatives existing in the vacuum. Furthermore, the results indicate that there was no strong element of commitment from the members and a lack of business ownership.

Cooperative members have a good grasp of the responsibilities and term of office of the board of directors since they scored above the average on this variable. The performance area is very critical for the success of the cooperative and continuous training of members is a pre-requisite for the cooperative to fulfil its objectives.

The management of human and financial resources indicates very low scores, which implies that capacity building is still a problem because most members do not have the skills or qualifications to perform their duties.

Relevant institutions must be consulted to acquire their training needs. The scores below average indicate that a cooperative cannot function without the financial support from external donors, which signifies the financial dependency syndrome of the cooperative. The ideal is that the cooperative draws the viable business plan/model that will sustain the business. The cooperative members must have confidence in taking positive risks, like a production loan and be prepared to repay the loan. The human and financial elements are prone to socio-economic influence, which means cooperative members must have a clear understanding of the community dynamics. The majority of cooperative members have indicated that they are aware of the existing bank account and the procurement processes are transparent. The existence of a bank account has a higher score, which means that the prerequisite for possible investors is solved quickly and members take advantage of opportunities of funding, even though they make no or a small financial contribution to the business.

Cooperative registration as legal entity under collaboration and alliance has the highest score above 55%. The working relation with the local authority is very good (above average), which means that the closer stakeholders (local authorities) have the advantage of the land ownership and residing together with cooperatives, which makes contact and monitoring easy. The scores below average indicate that members do not have a good working relation with the private sector, possibly because they do not derive direct benefit for the cooperative.

Service provision to members scored very poorly on four assessment statements, which include the facts that the cooperative does defend the

interest of the members; lack of information and training to members; the members cannot provide means to accessing finance; very critical is that they do not consult with the members if they are satisfied with the service they receive. The results showcase the fact that the board of directors' work to achieve their individual needs since there is no capacity development in place; they do not consult the members they render a service to. However, members are fairly satisfied with collective marketing and reports discussed during official meetings.

The production risks identified include high production costs and the unpredictable quantity and quality yield due to unforeseen climatic conditions as reflected by a score below average. The uncertainty of production yield minimises the chance of cooperative members to access credit for production. It means that the members need to venture into another system of production that will guarantee yield and a secured income for the sustainability of the cooperative.

The relationship between farmers and buyers also shows a very low score, and most questions were scored below average. The basic content of the contract, product preferential (value addition), price determination and payment method are not known by the members who are expected to found their own business and thus the problem lies not with the buyer or partners, but the members themselves are not geared to be entrepreneurs; instead they are normal employees of the cooperative and do not share the risk in the business. Co-operative members are confident that a better quality and quantity of produce has an impact on the price/income they receive from produce sales.

The default risks of the cooperative obtained a low score, which implies that the members are not satisfied with the content of the study area. Members do not meet the contractual obligations because the contract is either not clear or not clearly presented to members. The other possibility is that the low literacy level of the members has an impact on the understanding of contract details. Cooperative members are at liberty to sell their produce to any other consumer, which eventually compromises the price they receive for produce, unless the consumer offers a better price for the products.

However, members are somewhat confident since they do not have an outstanding loan with any bank; the possibility is that some credit is obtained from local retailers.

5.2. RECOMENDATIONS

5.2.1. Recommendation to Mapela Agricultural cooperative

The recommendations are presented and discussed according to the eight performance criteria.

Membership Base

The performance area can be improved only by recruiting new members who can bring innovative ideas and have continuous training or revision of the constitution. The succession plan can be drawn where members can engage the youth who can read and write so that they can develop a report for internal and external use.

The cooperative must develop the self-help character whereby all members have mutual/democratic agreement of financial contribution timeously to

boost the financial muscle of the running of the cooperative regardless of the credit or grand funding awarded to the cooperative. Financial contributions also serve the purpose of commitment to the enterprise.

The numbers of the cooperative members seem to be exorbitant, resulting in other members not fully participating in the organisation. The remedial can be that the cooperative have a management committee that reports to the board of directors.

Governance and internal democracy

Internal regulations are documented and not discussed with other cooperative members. The board of directors take their own decisions when consulting other members. The results indicate the critical need to have an annual meeting whereby collective decision is taken democratically and internal regulations of the organisation agreed on.

Furthermore, it is the responsibility of the board of directors to evaluate the results on an annual basis and design democratic action plans that will help them in measuring the cooperative's progress and make intervention where there is deviation of the agreed plan.

Management of Human and Financial resources

For the cooperative to develop into the commercial sector, there is a critical need to have members with certain levels of qualification, depending on the position held by the committee members. The committee members need to consult with the relevant stakeholders to acquire the available training in order to manage the cooperative.

The cooperative must have a manual describing how money is handled or spent that will sustain the financial muscle of the cooperative and minimise financial dependency. The development of a viable business plan will also help them to acquire the loan rather than grand funding. The co-funding system can also help since cooperative members contribute a certain percentage of finance to the business.

The engagement of the members in the planning/inception phase of production can boost the morale and perception of members relating to the financial performance of the cooperative.

Collaboration and alliance

A cooperative is registered as legal entity and needs to develop the formal working relation with stakeholders for technical support, financial support and marketing arrangements to ensure a joint effort in the running of the cooperative. The stakeholders' relationship must be developed, their interests identified and formalised. The interaction will boost the cooperative to share experiences with other successful entrepreneurs and improve where there are grey areas. The exchange of goods and services within the cooperatives will minimise cost and improve collaboration.

Service provision to members

There must be a mutual agreement regarding the activities of the cooperative to ensure that the needs and interest of the members are catered for. The business plan can be used as the mutual document will contain expected returns. It is of paramount importance to review the business plan to update other members of changes in case of changes. A suggestion box must be

installed in the cooperative so that the board of directors can get feedback from the members on their expected deliverables.

Production and production risk

Land seems to be abundant for farming and a cooperative needs to venture into profitable enterprise to ensure positive returns. A cooperative must seek production contracts that will help it in guaranteeing the market and sourcing funding from the financial institutions, and in buying bulk of inputs from the suppliers to negotiate discount. The moral hazard is risky for farmers and the erection of the basic infrastructure (e.g. tunnels) will minimise the moral hazard risk.

High value crops or diversification of the business in this regard will also minimise the risk factors and ensure that there are positive returns in the business to sustain and meet members' expectations.

Relationship between farmers and buyers

A cooperative must have a signed contract in case of a potential partner to ensure correct quality, and quantity and price of the product. It is usually recommended to have a monitoring system during the duration of the contract to avoid penalties or disappointment at the end of the contract. A custodian of the cooperative must be co-opted to help in analysing the legalities of the contract of the strategic partner. In addition the value adding opportunities can also help members realise their dream due to increased income, resulting activities and job creation for the unemployed community members.

Default Risks

Cooperative members do not have contractual obligations during production. It is critical that they abide by the contractual arrangement should they have a strategic partner interested in investing in their business. It is critical that a strategic partner present the contract in the presence of the board of directors and members to avoid misunderstanding during the implementation phase.

5.2.2. Recommendation for further research

Based on the eight areas of assessment researched and results, I have found that there are no systems in place to monitor the internal performance of a cooperative. A board of directors and ordinary members are on their own and care less about the amount of investment done by the stakeholders.

Similar research can be conducted in other provinces to supplement the achieved results in Limpopo province and suggest a system from stakeholders' side to monitor the internal factors or members' perception of the agricultural cooperative as the business opportunity for the developing areas.

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APPENDIX

Appendix A. STRUCTURED QUESTIONNAIRE

Questionnaire

Below you will find a list of statements. For every statement please decide and determine to what extent you disagree or agree on the statement. Please give a score ranging from 0 to 5. A score of '0' means: *I totally disagree on the statement.* A score '5' means *I fully agree on the statement.* The scores 1, 2, 3 and 4 are in-between.

Please indicate the scores you give clearly (circle the chosen scores).
Please answer all statements.

RESPONDENT

Scores	0	1	2	3	4	5
	Totally disagree	Strongly disagree	Disagree	Agree	Strongly agree	Fully agree

No	Statement	Score					
1	Membership base						
1.1	Our farmer group has clearly formulated the objectives it wants to reach.	0	1	2	3	4	5
1.2	These objectives are shared with all individual members.	0	1	2	3	4	5
1.3	The conditions for adhering to our organization are clearly defined.	0	1	2	3	4	5
1.4	In our community all people who want to can be member of our farmer group.	0	1	2	3	4	5
1.5	Our organization actively seeks the membership of new members.	0	1	2	3	4	5
1.6	We have a member register that is up-to-date.	0	1	2	3	4	5

No	Statement	Score					
1.7	Internal communication within our organization is well organized: members are well informed.	0	1	2	3	4	5
1.8	All members regularly pay their membership fees and other contributions.	0	1	2	3	4	5
1.9	All members actively participate in the activities of our organization.	0	1	2	3	4	5
2 Governance, leadership and internal democracy							
2.1	The internal regulations of our organization are well documented.	0	1	2	3	4	5
2.2	All members know the internal regulations.	0	1	2	3	4	5
2.3	The statutory bodies of our organization (general assembly, committee/ board, etc.) function according to their mandates.	0	1	2	3	4	5
2.4	The members of the board/committee are democratically and transparently elected.	0	1	2	3	4	5
2.5	The duration of the mandate of a leadership position is well defined.	0	1	2	3	4	5
2.6	Criteria for being a good chairman are clearly spelled out.	0	1	2	3	4	5
2.7	Somebody who cannot write cannot become a secretary.	0	1	2	3	4	5
2.8	We have elected a treasurer who can maintain the books.	0	1	2	3	4	5
2.9	Women and youth are sufficiently represented in the elected bodies of our organization.	0	1	2	3	4	5
2.10	Important decisions are taken during meetings during which everybody can share his or her point of view.	0	1	2	3	4	5
2.11	Every year our organization elaborates on an annual plan that indicates what we are going to do.	0	1	2	3	4	5
2.12	Every year we evaluate the results that we have obtained.	0	1	2	3	4	5
2.13	Board/committee decisions are immediately followed up and are implemented.	0	1	2	3	4	5
3 Management of human and financial resources							
3.1	The board/committee members have adequate competencies and skills to perform their tasks.	0	1	2	3	4	5
3.2	We have a training programme for our elected board/committee members.	0	1	2	3	4	5
3.3	Recruitment of staff / facilitators follows transparent procedures that are known to the members.	0	1	2	3	4	5
3.4	Our facilitators have adequate qualifications and skills to perform their duties.	0	1	2	3	4	5
3.5	The committee and members regularly evaluate the performance of our advisors.	0	1	2	3	4	5
3.6	We write down important financial data of the organization.	0	1	2	3	4	5
3.7	Our organization has a manual describing how money is handled.	0	1	2	3	4	5

No	Statement	Score					
3.8	Important documents are well kept.	0	1	2	3	4	5
3.9	Our organization can function well without outside financial support.	0	1	2	3	4	5
3.10	When the organization needs to buy something, the procedures for the procurement of goods and services are transparent.	0	1	2	3	4	5
3.11	Our group has a bank account.	0	1	2	3	4	5
3.12	Every year, the board/committee explains how resources and income of the organization have been used.	0	1	2	3	4	5
4	Collaboration and alliances						
4.1	Our organization is legally recognized	0	1	2	3	4	5
4.2	If we want something to be done we seek collaboration with others.	0	1	2	3	4	5
4.3	We work together with local authorities.	0	1	2	3	4	5
4.4	We approach researchers and extension workers to find answers to some of our problems.	0	1	2	3	4	5
4.5	Our organization works together with non-governmental organizations and projects.	0	1	2	3	4	5
4.6	Our organization has formal relations with private enterprises.	0	1	2	3	4	5
4.7	Our organization actively participates in meetings of other organizations.	0	1	2	3	4	5
4.8	We exchange our experiences with other producers' organizations.	0	1	2	3	4	5
5	Service provision to members						
5.1	The services of our organization respond to the needs of its members.	0	1	2	3	4	5
5.2	Our organization defends the interests and needs of the members.	0	1	2	3	4	5
5.3	Our organization is efficient in providing information and training to the members.	0	1	2	3	4	5
5.4	Thanks to our organization we can have inputs (seeds, fertilizer, pesticides) we would otherwise not have.	0	1	2	3	4	5
5.5	We collectively sell our products through our organization.	0	1	2	3	4	5
5.6	Our organization facilitates access to credit and other financial services.	0	1	2	3	4	5
5.7	Our organization asks its members if they are happy with the services that are provided.	0	1	2	3	4	5
5.8	Our organization timely produces activity reports and/or discusses the activities during official meetings.	0	1	2	3	4	5
5.9	If I were not member of the farmer group, I would earn less.	0	1	2	3	4	5

No	Statement	Score					
6 Production and production risks.							
What is the type of the business enterprise?							
6.1	Our land is suited for growing/rearing the enterprise.	0	1	2	3	4	5
6.2	The production of enterprise takes a large part of our land.	0	1	2	3	4	5
6.3	We can produce enough products even if the rains are bad.	0	1	2	3	4	5
6.4	Even with small production we make benefits.	0	1	2	3	4	5
6.5	The costs of production inputs are low.	0	1	2	3	4	5
6.6	If my harvest fails I do not need to deliver products to the firm.	0	1	2	3	4	5
6.7	Our production is predictable: we know how much we will produce.	0	1	2	3	4	5
6.8	I am sure of producing good quality.	0	1	2	3	4	5
6.9	We know how much the firm wants to buy from us.	0	1	2	3	4	5
6.10	The company provides all necessary inputs we need for the production of the produce.	0	1	2	3	4	5
6.11	If I need, I can get credit at the bank to finance production costs.	0	1	2	3	4	5
6.12	We know the quality requirements of the firm.	0	1	2	3	4	5
7 Relationship between farmers and buyers							
7.1	I know precisely what is written in the contract we have with the company.	0	1	2	3	4	5
7.2	I know how the co-operative is adding value to produce.	0	1	2	3	4	5
7.3	I am happy with the price that is paid for the products.	0	1	2	3	4	5
7.4	I understand the reasons when the firm changes the price they pay for our products.	0	1	2	3	4	5
7.5	The better the quality of the products the higher the price I get.	0	1	2	3	4	5
7.6	If I deliver more, I get a higher price per kg (premium).	0	1	2	3	4	5
7.7	I am happy with the current method of payment.	0	1	2	3	4	5
7.8	We control the quality of the products before delivering them to the company.	0	1	2	3	4	5
7.9	We get sufficient training from the co-operative to produce more and higher quality.	0	1	2	3	4	5
7.10	We always deliver our produce on time at the collection points.	0	1	2	3	4	5
7.11	We have books where we write down the quantities of products that we deliver.	0	1	2	3	4	5
7.12	We accept it when our products are rejected because of insufficient quality.	0	1	2	3	4	5

No	Statement	Score					
8	Default						
8.1	We do not have outstanding loans with the cooperative.	0	1	2	3	4	5
8.2	The cooperative always delivers the inputs according to the contract.	0	1	2	3	4	5
8.3	We do not have to wait long for the company to collect the produce.	0	1	2	3	4	5
8.4	If a member of our farmer group delivers to another buyer, he will be kicked out.	0	1	2	3	4	5
8.5	I do not have to wait long to get paid for the produce I delivered.	0	1	2	3	4	5
8.6	The sale of the produce is my most important source of income.	0	1	2	3	4	5
8.7	The co-operative does what it promises to do.	0	1	2	3	4	5
8.8	The contract is clear about how to handle disputes.	0	1	2	3	4	5
8.9	If there is a problem, we first openly discuss matters with the company staff.	0	1	2	3	4	5
8.10	If I sell to another buyer my farmer group will no longer be able to sell to the current company we do business with.	0	1	2	3	4	5
8.11	I would be happy to contribute some money per kg for the benefit of my farmer group.	0	1	2	3	4	5
8.12	If the prices of agricultural produce go down in the rest of S.A. the co-operative will sustain a big loss.	0	1	2	3	4	5
8.13	If another co-operative would offer a better price, we would sell to that co-operative.	0	1	2	3	4	5

Appendix B. Mogalakwena Agricultural Collective Actions

Name	Area	Members	Type of farming	Status
1. Bakone ba kopane Goat Cooperative	Segole	12	Goat	Dormant
2. Makidikidi Manufacturing Cooperative	Bokwidi	5	Field crop	Active
3. Magoshi Animal Feeds Cooperative	Ga-Madiba	6	White Cluster Feed	Dormant
4. Malokong Agricultural Cooperative	Pudi ya kgopa	7	Broilers	Active
5. Mokaba farmers Agricultural primary Cooperative	Ga-Mokaba	11	Vegetables and field crops	Active
6. Mapela Agricultural Cooperative	Mapela	60	Vegetables	Active
7. Balephondo Agricultural Cooperative	Jaagpan	5	Citrus and vegetables	Active
8. Hlahlolanang Agricultural Cooperative	Ga-Madiba	8	Vegetable and Broiler	Active
9. Koputjanang Agricultural Close Corporation	Jaagpan	6	Broiler	Active
10. Mahlora Agricultural Cooperative	Moshate	6	Vegetables	Active
11. Phaphamang Agricultural Cooperative	Mapela	7	Aquaculture	Dormant
12. Manala Agric. Primary Cooperative	Harm village	15	Vegetables	Dormant
13. Bakone Barua Kgomo Cooperative	Lekhureng	18	Livestock	Dormant
14. Samuel and Gabriel Vegetable Project Cooperative	Mokamole	5	Vegetables	Active
15. Thabantsho Agricultural Cooperative	Ga-Mushi	7	Vegetables	Dormant
16. Motse Leope Farming Cooperative Ltd.	Mahwelereng	8	Vegetables	Dormant

17. Masipa Broiler Cooperative	Ga-Masipa	7	Broiler	Dormant
18. Agang Rebone Poultry Cooperative	Rebone	5	Broiler	Active