

SUSTAINABLE SOLUTIONS TO THE RESUSCITATION OF AGRICULTURAL  
COOPERATIVES IN ZIMBABWE: A CASE FOR MANICALAND PROVINCE

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## ABSTRACT

Governments promote the use of cooperatives to enhance development of smallholder farmers. However, challenges are inevitable and this study investigated factors responsible for the collapse of agricultural cooperatives in Manicaland province of Zimbabwe, and developed propositions for use on a larger scale. Five cooperatives drawn from Mutasa and Chimanimani districts were chosen using purposive sampling based on overall performance of the cooperatives as main criterion (shown by available records) and management and staff availability. All selected cooperatives were willing to participate in the study and had been operational for more than five years. A qualitative research methodology was used, with focus group discussions (FGDs) and in-depth interviews for data collection. Participants included members of cooperatives, Agritex officers, field officers from different organizations and management of cooperatives.

The performance of smallholder cooperatives was analyzed using the New Institutional Economics (NIE) theories namely transaction cost economics, agency theory, collective action theory and property rights theory. From the outcome, it was found that the general consensus among all participants was that the cooperatives are not sustainable in their current state. The results from the FGDs suggest that majority of respondents do not fully understand the cooperative principles and have high expectations of possible benefits. Due to the fact that some members joined cooperatives in order to access government funding and achieve some political objectives. Participants highlighted lack of skilled management, poor institutional and governance structures as the main problems affecting cooperatives. Results from the in-depth interviews suggest that the performance of the cooperatives was influenced by complexity of market environment and poor policy structures. Conclusion reached is that cooperatives require

amendments to the Cooperatives Act of 2005 to promote good institutions and good governance. Also policy interventions are needed such as provision of regulatory framework that would allow competitive market environment in the study area.

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## TABLE OF CONTENTS

CONTENTS	PAGE
ABSTRACT.....	i
DECLARATION.....	iii
ACKNOWLEDGEMENTS.....	iv
TABLE OF CONTENTS.....	vi
LIST OF TABLES.....	xiii
LIST OF FIGURES.....	xiv
GLOSSARY OF ACRONYMS AND ABBREVIATIONS.....	xv
<b>CHAPTER 1- INTRODUCTION</b>	
1.1 Background information.....	1
1.2 The research problem.....	3
1.3 Significance of study.....	4
1.4 The objectives.....	5
1.5 Organization of the study.....	5
<b>CHAPTER 2- AN OVERVIEW OF AGRICULTURAL COOPERATIVES’ DEVELOPMENT</b>	
2.1 Introduction.....	6

<b>2.2 Theoretical framework.....</b>	<b>6</b>
<b>2.3 Definitions and principles of cooperatives.....</b>	<b>8</b>
<b>2.4 History of agricultural cooperatives.....</b>	<b>10</b>
2.4.1 Cooperatives in industrialized countries.....	10
2.4.2 Cooperatives in Zimbabwe.....	13
2.4.3 Inherent problems of traditional cooperatives.....	18
2.4.3.1 Free-rider problem.....	18
2.4.3.2 Horizon problem.....	18
2.4.3.3 Portfolio problem.....	19
2.4.3.4 Control problem.....	19
2.4.3.5 Influence cost problem.....	19
<b>2.5 Types of cooperatives and their roles.....</b>	<b>20</b>
<b>2.6 Comparison of traditional cooperatives and other forms of business.....</b>	<b>23</b>
<b>2.7 Summary.....</b>	<b>26</b>
 <b>CHAPTER 3- METHODOLOGY</b>	
<b>3.1 Introduction.....</b>	<b>28</b>
<b>3.2 Study area.....</b>	<b>28</b>

<b>3.3 Research design, Population and Sample.....</b>	<b>32</b>
<b>3.4 Data and Data collection procedure.....</b>	<b>34</b>
3.4.1 Survey questionnaire .....	35
3.4.2 Focus groups .....	35
3.4.3 In-depth interviews .....	36
3.4.4 Secondary data sources.....	37
<b>3.5 Data analysis.....</b>	<b>37</b>
<b>3.6 Delimitations.....</b>	<b>38</b>
<b>3.7 Summary.....</b>	<b>38</b>
 <b>CHAPTER 4- DESCRIPTION OF SELECTED AGRICULTURAL COOPERATIVES IN MANICALAND PROVINCE</b>	
<b>4.1 Introduction.....</b>	<b>40</b>
<b>4.2 Description of cases.....</b>	<b>40</b>
<b>4.3 Structure and organization .....</b>	<b>42</b>
4.3.1 Visions and objectives.....	42
4.3.2 Age and gender composition.....	45
<b>4.4 Financial structure and management .....</b>	<b>46</b>
4.4.1 Sources of finance.....	46

4.4.2 Financial status of selected cooperatives.....	48
4.4.3 Auditing.....	50
<b>4.5 Marketing.....</b>	<b>51</b>
<b>4.6 Summary.....</b>	<b>52</b>
<b>CHAPTER 5- RESULTS</b>	
<b>5.1 Introduction.....</b>	<b>53</b>
<b>5.2 Household characteristics of selected cooperatives .....</b>	<b>53</b>
<b>5.3 Results of Focus groups .....</b>	<b>56</b>
5.3.1 Institutional structure.....	57
5.3.2 Governance.....	58
5.3.3 Performance.....	60
5.3.4 Marketing management.....	62
5.3.5 Managerial skills.....	64
5.3.6 Financial support.....	66
5.3.7 Economic viability.....	67
5.3.8 Social acceptability.....	68
5.3.9 Extension services and training.....	69

5.3.10 Farming-knowledge experience.....	70
<b>5.4 In-depth interviews with various stakeholders.....</b>	<b>71</b>
5.4.1 Role of external stakeholders in cooperatives.....	71
5.4.2 Economic viability.....	72
5.4.3 Policy implications.....	73
5.4.4 Extension and training.....	74
<b>5.5 Conclusions.....</b>	<b>75</b>
 <b>CHAPTER 6- DISCUSSION</b>	
<b>6.1 Introduction.....</b>	<b>77</b>
<b>6.2 Problems affecting sustainability of cooperatives.....</b>	<b>77</b>
6.2.1 Institutional flaws.....	77
6.2.2 Governance problems.....	79
6.2.3 Performance problems.....	80
6.2.4 Market access problems.....	81
6.2.5 Managerial skills.....	83
6.2.6 Financial support.....	84
6.2.7 Policy implications.....	85
6.2.8 Economic viability.....	86
6.2.9 Extension and training.....	88
6.2.10 Social acceptability.....	89

6.2.11 Farming knowledge experience.....	90
6.2.12 Influence of external stakeholders.....	91
<b>6.3 Conclusion.....</b>	<b>93</b>
 <b>CHAPTER 7- CONCLUSIONS AND RECOMMENDATIONS</b>	
<b>7.1 Summary and conclusions.....</b>	<b>94</b>
<b>7.2 Recommendations.....</b>	<b>101</b>
<b>7.3 Further research.....</b>	<b>104</b>
<b>REFERENCES.....</b>	<b>105</b>
<b>APPENDICES.....</b>	<b>112</b>
<b>Appendix 1: Principles of cooperatives.....</b>	<b>112</b>
<b>Appendix 2: Survey Questionnaire.....</b>	<b>115</b>
<b>Appendix 3: Focus Group Discussions Checklist.....</b>	<b>120</b>
<b>Appendix 4: In-depth interviews questionnaire checklist.....</b>	<b>122</b>
<b>Appendix 5: Research Permission Letter from UNAM.....</b>	<b>123</b>
<b>Appendix 6: Consent Form.....</b>	<b>125</b>
<b>Appendix 7: Natural regions and communal lands of Zimbabwe.....</b>	<b>126</b>
<b>Appendix 8: Position of responsibility held by farmers in cooperatives.....</b>	<b>127</b>

**Appendix 9: Pipes used by poachers to divert water from canals to fields.....128**

**Appendix 10: People doing laundry in canals used for irrigation purposes.....129**

**Appendix 11: Deteriorating house of production for mushroom cooperative.....130**

## LIST OF TABLES

Table 2.1: Earliest recorded cooperatives in selected developed countries.....	13
Table 2.2: Jobs created by cooperatives in selected African countries.....	22
Table 2.3: Comparison of attributes of business entities.....	25
Table 4.1: Basic information on selected cooperatives for focus group discussions’ participants.....	41
Table 4.2: Reasons attributable for joining of members of selected cooperatives.....	44
Table 4.3: Age and gender composition of selected cooperatives in Manicaland province.....	45
Table 4.4: Funds kept in the bank by selected registered cooperatives in Manicaland province.....	49
Table 5.1: Highest level of educational attainment by cooperative members.....	54
Table 5.2: Income per month of members from their different farming activities.....	55
Table 5.3: Number of years that members have been involved with cooperatives.....	56

**LIST OF FIGURES**

Figure 3.1: Map of Zimbabwe showing different provinces.....30

Figure 3.2: Map of Manicaland province showing different districts.....31

Figure 5.1: Management team.....64

Figure 6.1 Cooperatives’ performance trap.....87

Figure 6.2: Problems affecting sustainability of cooperatives.....92

**GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

Agritex	Agricultural Research and Extension Services
CARE	Cooperative for Assistance and Relief Everywhere
CBO	Community Based Orphanage
CSFS	Collective Self Finance Scheme
CSO	Central Statistics Office
EMA	Environmental Management Agency
ESAP	Economic Structural Adjustment Programme
FAO	Food and Agriculture Organization
FGD	Focus Group Discussion
GAA	Germany Agro Action
GMB	Grain Marketing Board
ICA	International Cooperative Alliance
ILO	International Labour Organization
IRD	International Relief Development
LLC	Limited Liability Company
NCBA	National Cooperative Business Association
NGO	Non-Governmental Organization
NFN	Natural Farming Network
NIE	New Institutional Economics
NR	Natural Regions
SADC	Southern African Development Community
SPSS	Statistical Package for Social Sciences
TC	Traditional Cooperatives

TSURO	Towards Sustainable Use of Resources Organization
UNAM	University of Namibia
USDA	United States Department of Agriculture
U.S.A	United States of America





## CHAPTER 1

### INTRODUCTION

#### 1.1 Background information

Smallholder farmers are the potential drivers of agricultural development in less developed countries (Tchami, 2007). Governments often promote the use of cooperatives as organizations that enhance development of their smallholder farmers. According to Timba (1992) as part of the socio-economic transformation policy towards a more egalitarian society in Zimbabwe, which aimed at greater participation in the economy and people's control over productive resources, collective cooperatives were to play a major role. The government saw it as a way to empower the people, alleviate poverty and create employment. Traditional cooperative structures are the ones which were operating and are still operating in most parts of the country. A traditional cooperative (TC) is an organization formed by a group of people who meet voluntarily to fulfill mutual economic and social needs of members through running a democratically controlled enterprise such that the benefits achieved through cooperation are greater than the benefits achieved individually (ICA, 2005). Basic differences exist between a traditional cooperative and other forms of businesses such as partnership, proprietorship and the corporation. A major difference lies in return of profits whereby a TC returns profits to investors based on usage of cooperative services, while other forms of businesses distribute profits based on investment in the business.

According to FAO (2012) agricultural cooperatives play an important role in supporting smallholder farmers, livestock keepers, and fisher folks. They enable smallholder farmers to better take advantage of opportunities offered in the market place as well as access to trade

information and to make better use of the natural resources base. These agricultural cooperatives offer opportunities that smallholder farmers could not achieve individually such as helping them secure land rights and better market opportunities. However, several factors have hindered the performance of smallholder cooperatives in developing countries. Researchers have identified different factors hindering smallholder cooperatives performance. Akwabi-Ameyaw (1997) argues that cooperatives are unproductive because of the prevailing organizational culture which enables leading members to seek individual self-interest and private gain, making it hard for the rank and file to cooperate and work for the common good. Lyne and Collins (2008) also indicates that weak institutional arrangements (for example, ill-defined property rights), inadequate capital, deficient support systems such as external monitoring and evaluation, and lack of a supportive policy environment have also contributed to cooperative failures. Iliopoulos (2003) states that cooperatives have a difficult problem in acquiring equity capital because the residual claimant (benefactor) is the patron of the firm, not the investor, leading to three investment constraints: a) the free rider problem, b) the horizon problem, and c) the portfolio problem. According to Cornforth (2004) the governance of cooperatives is a complex, inherently difficult and problematic activity, the boards of cooperatives face conflicting roles in trying to control and provide direction to the running of their organizations. Some reasons are of course feasible therefore, we have to determine the actual factors that hinder their performance and leading to the collapse of others. This helps us deduce sustainable solutions which ensure that future cooperatives remain functional while resuscitating those which collapsed.

Generally speaking, part of the problem with agricultural cooperatives is that smallholder farmers are not well versed as to what function they serve. Smallholder farmers know that

cooperatives can be good, and even readily agree that the cooperatives are essential, but because farmers do not always share a common understanding as to why precisely they need cooperatives, the smallholder farmers support them in somewhat arbitrary or inappropriate ways. And then, not surprisingly, the smallholder farmers do not get the results they want which is one of the reasons which lead to the cooperatives' malfunctioning. The study focuses on the factors responsible for the collapse of cooperatives in Zimbabwe. After determining these factors then a suitable model and strategies will be advanced that can be used to resuscitate cooperatives and make sure future cooperatives in Zimbabwe remain more viable.

## **1.2 Research problem**

Smallholder farmers in Zimbabwe are currently facing serious challenges of productivity and marketing which they cannot resolve on their own. In recent years productivity has declined rapidly and this has greatly affected agricultural development in the country. According to Timba (1992), agricultural cooperatives in Zimbabwe were estimated to be about 600 collective cooperatives which engaged in agriculture, mining, fisheries, industry and commerce; with Manicaland province having 286 registered cooperatives. Mahove (2002) indicates that the level of investment in agriculture dropped over the pre ESAP period (1985 to 1990) and this translated into reduced support for the cooperatives and over 90 percent of the cooperatives collapsed or remained operating at a very low capacity. The collapse of many agricultural cooperatives in Zimbabwe is a setback to agricultural development in the country because they can be instrumental in addressing some of the challenges facing smallholder producers such as galvanizing collective action to benefit from economies of scale and efficiency gains along the value chains through cooperative actions.

The collapse of the agricultural cooperatives in almost every part of the country has affected access to affordable inputs and financial services, which assist smallholder farmers to enable them to participate in beneficiation and agricultural marketing opportunities. This affects the country as it is characterized mainly by the smallholder sector and almost the whole population relies on this sector for food security. Smallholder farming improves the position of smallholder farmers in markets including the delivery of inputs and training, economies of scale and increases bargaining power. Smallholder farms can be a key driver for poverty reduction as investments in smallholder farms can pay off handsomely in terms of increases in income in rural areas, and through linkages effects, to poverty reduction on a sustainable basis (IFAD, 2011). Existing cooperatives are too few to cater for the needs of all the farmers. Some parts of the province do not have functional cooperatives. Effective and efficient cooperatives ensure smallholder farmer development which is central in promoting economic development of the country.

### **1.3 Significance of study**

The study determines the strategies to use to fully exploit the potentials of cooperatives. It provides a foundational knowledge on key aspects that should be viewed in the operation and structure of agricultural cooperatives to avoid their malfunctioning and boost the once vibrant sector. Manicaland province is made up of mainly rural districts with plenty of plantations in smallholder enterprises, the study helps in realizing the need for cooperatives in input accessibility and better marketing opportunities and benefit from economies of scale which brings better profits. It also provides an understanding of the importance of effective and efficient cooperatives to enable farmer development leading to agricultural development in the country which is more desirable economically.

#### **1.4 The objectives**

The overall objective of this study is to identify why cooperatives collapsed in Manicaland province of Zimbabwe and make suggestions that will help resuscitate and enhance development of agricultural cooperatives in the country.

The specific objectives of this study were as follows:

- To determine the factors that led to the collapse of cooperatives within the period from 1992-2002 in Zimbabwe using Manicaland province as a case.
- To explore the relationship which existed between cooperatives and other stake holders who rendered services to cooperatives.
- To develop strategies that can be used to make sure that future cooperatives in Zimbabwe remain functional and viable.

#### **1.5 Organization of the study**

The thesis is structured into seven chapters. This chapter provides an introduction to the study. Chapter 2 reviews the relevant literature on the concept of agricultural cooperatives. Chapter 3 presents the methodology of the study. On the other hand, Chapter 4 dwells on the characteristics of selected agricultural cooperatives. The findings of the research are presented in Chapter 5 while Chapter 6 provides a discussion of results for the study. Finally, a summary reviewing all chapters is provided in Chapter 7 including conclusions and recommendations from the study.

## CHAPTER 2

### AN OVERVIEW OF AGRICULTURAL COOPERATIVES' DEVELOPMENT

#### 2.1 Introduction

In order to understand the importance of cooperatives in farmer development it is crucial to first understand the history of cooperatives, how they came about and developed. This chapter has five parts which focus on the literature review on cooperatives' development. The first part gives a theoretical framework of interest as basis of the investigations; the second part provides definitions and principles of cooperatives, whilst the third part gives an overview on the history of cooperatives and the flaws of traditional cooperatives. The fourth part takes care of the roles of cooperatives, followed by the fifth part which looks at the differences between cooperatives and other forms of business organizations.

#### 2.2 Theoretical framework

The collapse of the agricultural cooperatives in Zimbabwe is a setback to agricultural development as it has affected the country's economic performance. The existing cooperatives are poorly performing; perhaps as a result of the absence of institutional arrangements that promote transparency and accountability like externally audited financial statements, secret ballot voting and well organized schedule of meetings. According to Kherrallah and Kirsten (2002), institutions have influence on human behavior, and in turn have profound effects on outcomes such as economic performance, efficiency, economic growth and development of an organization; which can either facilitate or retard the performance of smallholder cooperatives. New Institutional Economics (NIE) is a multidisciplinary field which combines economics, law, organizational theory, political science, business organization and sociology (Kherallah &

Kirsten, 2002). NIE considers that the cost of transaction –determined by institutions and institutional arrangements- is the key to economic performance. It is concerned with the social, economic and political institutions that govern everyday life.

NIE provides a useful theoretical framework as basis for our investigation; it helps to determine the types of institutions needed (either formal or informal) to improve economic performance of cooperatives in Zimbabwe. NIE helps to identify a series of obstacles, problems, imperfections, and failures, both in the communities and in the markets that can or should be remedied by various institutional means. Given that cooperatives exist to serve the interests of its members, problems such as transactions costs, agency costs, property rights and free-rider problems hinder them from achieving some of their objectives, therefore NIE theoretical framework can be applied to these economic problems faced by agricultural cooperatives in the study area.

The basic idea of NIE is that the success of a market system depends upon the institutions to facilitate efficient private transactions. However, NIE has some limitations as transaction costs are difficult to observe and measure (Kherallah & Kirsten, 2002). The institutional environment has considerable influence on cooperatives, in terms of both their internal and external relations. In this study, the performance of smallholder cooperatives will be analyzed using the NIE theory to show how the problems of ill-defined property rights suppress the growth and competitiveness of traditional cooperatives.

### **2.3 Definitions and principles of cooperatives**

The definitions of Agricultural cooperatives vary depending upon the source. According to the International Cooperative Alliance (2005) a cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. National Cooperative Business Association (2007) believes that people form cooperatives to exploit new market and economic opportunities through self-help; provide themselves with services that would not have otherwise been available individually; to strengthen bargaining power; maintain access to competitive markets; acquire needed products and services on a competitive basis; reduce costs; and manage risks. Tchami (2007) points out that cooperatives are enterprises which help their members cooperate together to solve problems they share. Furthermore, the members of cooperatives can be natural persons or corporate bodies. Cooperatives of corporate bodies can represent an effective form of commercial cooperation in the same way.

Essentially from all these definitions, then a cooperative is an organization formed by a group of voluntary people who meet to fulfill mutual benefits, both social and economic. The people ran a democratic enterprise and the benefits are achieved through cooperation. There are three most common characteristics found in most definitions and those are: traditional cooperatives provide services at cost; are democratically owned by its member patrons and limit returns on equity capital. Only owners (who are member-patrons) can access the cooperative services. In total, cooperatives serve the interests of their members.

Generally, agricultural cooperatives are classified into three broad categories according to the functions they perform, namely marketing cooperatives, farm supply cooperatives and service

cooperatives (Ortmann & King, 2007). The marketing cooperatives deal with marketing process which involves handling, manufacturing or processing, selling and bargaining for better prices. Farm supply cooperatives basically involve economies of scale whereby they enjoy the benefits of bulk buying, distributing farm supplies and inputs such as seeds, feed, farm equipment and fertilizer; and service cooperatives provide services such as storage facilities, irrigation, credit, insurance and trucking (Ortmann & King, 2007).

There are seven internationally recognized principles adopted from the Rochdale principles, based on consumer cooperative dating to 1844 by a group of 28 workers in Rochdale, England that guide the cooperative enterprise (Ortmann & King, 2007). They did a two year study of cooperatives of both successful and unsuccessful cooperatives and came up with basic operating policies that governed the affairs of the cooperative (see Appendix 1). Ortmann and King (2007) stated that adoption of these principles ensures that the cooperatives primary objectives are not for profit making but member-service. They must be taken as mission statements and guidelines of an ideal cooperative but there are arguments that arose that not all cooperatives are following all the principles. Birchall (2005) argues that cooperatives operating in global markets, particularly agricultural marketing and supply cooperatives cannot afford to internalize the ICA values and principles but must focus on fewer, more self-centered principles just to survive. The United States Department of Agriculture (USDA) (2006) incorporated three of these principles in their government and came up with a definition of a cooperative as a user-owned, user-controlled business that distributes benefits on the basis of use. Some of these principles can be fairly heavy constraints for cooperatives but they guarantee respect for the cooperative identity.

## **2.4 History of agricultural cooperatives**

The cooperative enterprises as modern business structure originated in Europe in the 19<sup>th</sup> century and spread to other industrializing countries in the later years of the century (Zimbelman, 2007). The Industrial Revolution had a profound effect on the way business was organized and on the working conditions and economic situations of many people which lead to the birth of cooperative movement. Chibanda (2009) in her thesis stated that cooperatives came about as a self-help method to counter extreme poverty through exploitation of new markets. It operated under diverse political systems: from communism to capitalism. Some people began to form cooperatives to meet their needs. In Zimbabwe there is an example of a concrete illustration of the potential of cooperatives in terms of employment and service provision. “Spring Master” was known in Zimbabwe as the biggest furniture manufacturer, but at the time of the country’s independence, the European property owners left and in 1984 the company was dissolved (Tchami, 2007). Furthermore a group of former employees then decided to recreate the “Spring Cabinet Cooperative” to safeguard their jobs and after a difficult start the cooperative managed to extend its production and to employ more workers than before, including university graduates in management positions. According to Tchami (2007) by 1995, the cooperative had created 206 full-time jobs, had a huge capital turnover. New cooperative businesses are now found all over the world from industrialized nations to the developing countries.

### *2.4.1 Cooperatives in industrialized countries*

The Industrial revolution transformed the world in that its effects led to the birth of cooperative movement. The effects included an increase in cost of living, exploitation of workers especially women and children, reduction in wages and rise in urban populations. These situations led

certain thinkers to come up with solutions to the plight of the poor and so they developed a new system. The earliest cooperatives originated in Europe around the late 18th and early 19th century (Zimbelman, 2007). In Great Britain, Robert Owen a philanthropist, proposed what he called villages of cooperation because he thought it would be more economical to deal with the poor in groups than individually (Tchami, 2007). He viewed these villages as a solution to the problem of unemployment and misery. He helped them acquire communal property and start up their own farming. According to Tchami (2007), the basis of Owen's doctrine was the suppression of commercial and industrial gain in favor of a "fair price" by cutting out the middlemen between production and consumption. He imagined himself and other rich philanthropists to be the source of finance for these villages of cooperation as they made their business available to them. In France it was Charles Fourier who came up with worker cooperatives to fight poverty by bringing the workers together so that they could pool their resources and live together (Tchami, 2007).

Ortmann and King (2007) indicated that the most prominent development which determined the uniqueness of the cooperatives' principles was the formation of a consumer cooperative, the Rochdale Society of Equitable Pioneers in 1844 by a group of 28 workers in Rochdale, Great Britain. Ortmann and King (2007) did a two year study of cooperatives of both successful and unsuccessful cooperatives and came up with basic operating policies that governed the affairs of the cooperative. However, the Rochdale Pioneers were not the first group to try forming a cooperative, but they were the first to make their cooperative succeed and endure by avoiding the mistakes made by earlier cooperative societies and to help others, they developed a list of operating principles governing their organization (Zimbelman, 2007). Among these rules were:

democratic control by members, payment of limited interest on capital, and net margins distributed to members according to level of patronage (Chibanda, 2009). These policies addressed the needs of members which included employment, better housing, education, food and other basic requirements. It became a model for other cooperatives which followed based on its success which subsequently became known as the general principles that distinguish the uniqueness of cooperatives to other businesses. Credit cooperatives largely began in Germany as it was seen that lack of capital was a major problem for people. Agricultural cooperatives were first established in Germany, Spain, Poland and Denmark (Ortmann & King, 2006). Service cooperatives emerged in many parts of Europe by the end of the 19<sup>th</sup> century, such as health and housing cooperatives.

In 1752, in the United States of America (U.S.A.), a mutual fire insurance company called the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, Inc was established and it was one of the earliest cooperatives which still exists today (Frederick, 1997). Most agricultural cooperatives in the U.S.A. originated in the early 1900's because of a combination of economic, farm organization, and public policy factors (Cook, 1995). Cooperatives were formed mainly for two reasons, namely: a) individual producers needed institutional mechanisms to bring economic balance under their control, usually because of excess supply-induced prices; this was particularly the case immediately following World War I, when an agricultural depression was severe; and b) individual producers needed institutional mechanisms to countervail opportunism and hold-up situations encountered when markets fail (Cook, 1995). Most agricultural producers in the U.S. worked collectively to depressed prices and market failure. Depressed prices or market failures create incentives for producers to react

collectively. The following Table 2.1 indicates some of the earliest recorded cooperatives in selected developed countries.

**Table 2.1: Earliest recorded cooperatives in selected developed countries**

Year	Country	Cooperative Type
1696	Great Britain	Fire Insurance
1752	United States of America	Fire Insurance
1816	Poland	Agriculture
1842	Spain	Agriculture
1848	Belgium	Bakery
1849	Germany	Credit
1850	Sweden	Consumer
1851	Norway	Consumer
1853	Italy	Cattle insurance
1863	Bulgaria	Credit
1866	Denmark	Consumer
1876	Netherlands	Consumer

Source: (Ingalsbe & Groves, 1989; cited by Ortmann & King, 2006)

#### *2.4.2 Cooperatives in Zimbabwe*

The Industrial Revolution brought about colonization of the developing countries by industrialized countries as they were seeking raw materials and new outlets for their products (Tchami, 2007). The settlers ensured the promotion and development of the cooperative form of organization depending on the colonizing country's origin to the countries they conquered. It was

a strategic tool to allow people to be grouped together and goods to be collected for export. Thus in Latin America they followed France's ideas and the German's but in the Asian countries, English ideas dominated. While for the African countries it depended on the colonizing power present.

In the former British colonies, formal cooperative organizations were introduced in the 1930s according to the British- Indian pattern of cooperation and accompanied by a special Cooperative Act and the establishment of an implementing agency, i.e. the Registrar of Cooperatives (Schwettmann, 1997). In Zimbabwe that was the case too, as the British government had colonized the country. The British government introduced agricultural cooperatives to increase cash crop production and to control economic activities in the rural areas as most production largely took place there. This was also meant to protect farmers against exploitation from traders and money lenders. These agricultural cooperatives were mainly geared towards the organization of inputs supply and marketing of produce of peasant farmers (Timba, 1992). Peasant farmers would be supplied with inputs such as fertilizers for their crops and on the other hand, provided a market to sell their produce. In 1937, the colonial government set up a cooperative body in Manicaland province which provided extension services and distributed land to villagers (Mamhare, personal communication, June 11, 2013). This took part in most rural districts like Chimanimani and Mutasa districts. The land belonged to the government and strict policies were put in place and enforced, guiding the farmers on what to do. Those who did not use the land well, had it taken away from them and given to others. Agricultural cooperatives were introduced and many farmers joined. In the context of the period, the creation of cooperatives was encouraged in a bid to control the people conquered during colonization and in no way to

promote the interests of their members. The colonial government favored the large scale commercial farmers and smallholder farmers were never really catered for (Mahove, 2002). This showed in low levels of investment in the cooperatives with smallholder farmers.

After independence in 1980, cooperatives were viewed in a different perspective. The main feature which differed from the previous form of agricultural cooperatives before independence was that they are owned and worked collectively by the workers. The new government saw cooperatives as a way to solve unemployment issues in the country so they encouraged people to form cooperatives with the help of the media (Timba, 1992). Agricultural investments were increased in the national budget. The government mainly targeted the smallholder sector. The government set up marketing co-operatives in all districts of the country and provided them with financial and technical support. Mahove (2002) states that, the government also set up 68 Grain Marketing Board (GMB) depots for the purchase of commodities from the smallholder cooperatives. The agricultural cooperatives were provided with good agricultural research and extension services and maize seed and fertilizers were provided for free to the members (Mubako, 2004). The post-independence period saw the growth of the cooperative movement. Timba (1992), states that the Zimbabwean collective/worker coop movement was a post-independence phenomenon dating back to 1980. As part of the socio-economic transformation policy towards a more egalitarian society in Zimbabwe, which aimed at greater state participation in the economy and people's control over productive resources, collective cooperatives were to play a major role. Timba (1992) also mentions that ex-freedom fighters started forming producer cooperatives as a new form of production organization.

There were factors which hindered their success though, which included lack of finance, materials and human resources and thus inhibiting any chance of success. As a result, both the number and the expectations of the cooperatives have far outstripped the funds available from either government or donors, or the implementation of training and extension services (Timba, 1992). Cooperatives cannot thrive with few resources and were therefore, prone to collapse without any sustainable means of production. Absence of profit to distribute will cause low productivity.

The Collective Self Finance Scheme was launched in 1988 as a response to the inadequate support by government and other service organizations to the cooperatives movement (Timba, 1992). The Collective Self Finance Scheme was formed by a group of eight cooperatives with the principal objective of providing credit guarantees and entrepreneurship training to members (Rushwaya, personal communication, July 10, 2013). The cooperatives felt a need to create an institution whose services they were to determine, own and control. It is a credit guarantee scheme which provides an interface between viable cooperatives with commercial banks and provides a technical back-up service to its member cooperatives in the form of management systems development, marketing research and development, production management and training (Chitambo, 2012). These services are designed to help cooperatives generate sufficient profits to both repay loans and raise the standards of living of their members, thus liberating them from the poverty trap in a way that ensures future self-sufficiency. This programme ran successfully for about 3 and a half years until the introduction of Economic Structural Adjustment Programme (ESAP) in 1990 disturbed its operations (Timba, 1992).

In 1990 the ESAP was implemented. With this, the government had to rationalize its expenditures. Mahove (2002) mentioned that investment in the agricultural sector dropped from 4.3percent over the pre ESAP period to an average of 3.2percent over the 1990 to 2000 period. The level of investment dropped even further to an average of 1.8percent of national budget over the 1995 to 2000 period (Mahove, 2002). This resulted into reduced support for the marketing co-operatives and over 90percent of the co-operatives collapsed or remained operating at very low capacity. Government had to reduce the number of extension workers as they could no longer pay them. This further reduced the level of smallholder farmer support (Mubako, 2004). Work load for extension workers increased as they were now serving up to 1200 farming households as compared to their previous ratio of 1:400 households, forcing communal and resettlement farmers to travel long distances to source agricultural inputs (Mahove, 2002). All these put together, resulted in chaos as communal farmers reduced their level of production because they could no longer afford to purchase more inputs on their own.

The collapse of the co-operative movement caused numerous problems for smallholder farmers; they had long distances to travel to get inputs (Mahove, 2002). Furthermore, the rural credit cooperative markets malfunctioned and this constricted effective demand from smallholder farmers which hindered rural traders based in smallholder markets from acquiring the required agricultural inputs. Mubako (2004) observed that the smallholder sector has generally been suffocated by inefficient markets for inputs and outputs and locked farmers into a low production and low saving situation. This has been exacerbated by unfavorable movements in inputs costs and producer prices, worsened by ill-conceived policies such as price controls, which hurt the farmers most (Mahove, 2002).

### *2.4.3 Inherent problems of traditional cooperatives*

The inherent problems of traditional cooperatives that become disadvantageous for cooperative members are free-rider, horizon, portfolio, control, and influence cost problems caused by vaguely-defined property rights (Ortmann & King, 2007).

#### *2.4.3.1 Free-rider problem*

The free-rider problem emerges when property rights are untradeable, insecure, or unassigned (Cook, 1995). Royer (1999) identified this as a common property problem that emerges when property rights are not tradable or are not sufficiently well defined and enforced to ensure that individuals bear the full cost of their actions or receive the full benefits they create. Free-rider problems can either be internal or external. With internal problems the rights to residual claims in a traditional cooperative are linked to patronage and residual rights instead of investment, and external problems are created “whenever a cooperative provides its members with collective goods characterized by de facto unfeasibility of exclusion...” (Iliopoulos & Cook, 1999:80, as cited by Ortmann & King, 2007).

#### *2.4.3.2 Horizon problem*

This problem arises “when a member’s residual claim on the net income generated by an asset is shorter than the productive life of that asset” (Cook, 1995). The different planning horizons between members, management and elected representatives make it difficult to make optimum investment decisions, and this inhibits the overall development of the organization (Nilsson, 2001, as cited by Chibanda, 2009). Vitaliano (1983), states that ‘the implication of horizon problems for the performance of a cooperative organization is that residual claimants can capture

the benefits of investment decision only over the time horizons of their expected membership in the organization’.

#### *2.4.3.3 Portfolio problem*

According to Cook (1995), this is another equity acquisition problem from the cooperative’s perspective. It restricts residual claims to the patron group in cooperatives, which deprives members of the opportunity to diversify their investment portfolios to minimize risk (Vitaliano, 1983). Further differences in preferences among subgroups of cooperative members are usually heightened by such portfolio problems resulting in economic inefficiency since lower risk decisions are favored.

#### *2.4.3.4 Control problem*

The control problem is introduced by the agency costs which are associated with trying to prevent the divergence of interests between the cooperative members and their representative board of directors (principal) and management (agent) (Cook, 1995). According to Ortmann and King (2007) preventing the divergence of interests may be more of a problem in conventional cooperatives because of the absence of a market for exchanging equity shares and the lack of equity-based management incentive mechanisms available to other firms.

#### *2.4.3.5 Influence costs problem*

“Influence costs are those costs associated with activities in which members or groups within an organization of wealth engage in an attempt to influence the decisions that affect the distribution of wealth or other benefits within an organization” (Royer, 1999). The extent of influence costs depends on factors such as the existence of a central authority, procedures that govern decision

making, and the degree of homogeneity or conflict of interests amongst cooperative members (Cook, 1995). Whilst the free-rider, horizon and control problems can all be resolved by trading shares at their market value, the influence problem can only be resolved by abandoning the traditional cooperative principle of one-member, one-vote (Chaddad & Cook, 2004).

## **2.5 Types of Cooperatives and their Roles**

Many types of cooperatives have been introduced around the world to serve the interests of members, including producer, consumer, worker and service cooperatives. The different types of cooperatives provide its members with diverse products and services, for example, extension services, financial services, input supplies, markets, utilities and other services. Generally agricultural cooperatives are classified into three broad categories according to the functions they perform, namely marketing cooperatives (which may bargain for better prices, handle, manufacture or process, and sell farm products), farm supply cooperatives (which may purchase in volume, manufacture, process or formulate, and distribute farm supplies and inputs such as seed, fertilizer, feed, chemicals, petroleum products, farm equipment, hardware, and building supplies), and service cooperatives (which provide services such as trucking, storage, ginning, grinding, drying, artificial insemination, irrigation, credit utilities, and insurance) (Ortmann & King, 2007). Most of the agricultural cooperatives are relatively small margin businesses.

Marketing cooperatives help smallholder farmers in active participation in the market economy. Private input manufacturers and distributors set up distribution and marketing infrastructure in markets, whereby smallholder farmers go to sell their produce in large volumes at relatively reasonable prices. Proper markets avoid situations where middlemen charge exorbitant prices for inputs from the supply source and unfair prices for output. Marketing cooperatives stand on

behalf of smallholder farmers and transact out the business in a cost effective manner. Because of lack of information and technical support that smallholder farmers get from government, the farmers have always been left behind in their efforts at complying with the growing sophistications of product quality standards set by especially the international markets, thus the use of cooperatives to meet their needs. With collective action, agricultural co-operatives can capture the benefits of value addition, because of bulking and take advantages of introducing grades and standards allowing agro processing value addition for the members (Chambo, 2009). Also joint production facilitates division of labour and specialization and therefore enhances productivity. Their bargaining power at the markets will also be increased.

Marketing cooperatives also create employment where-by business models are introduced, which are resilient to economic and environmental shocks. The cooperatives employ staff such as internal auditors, accountants, bookkeepers and managers; to handle the financial side of the business. Commercial marketing cooperatives have played a major role in the global market by forming joint ventures in order to jointly export their products, and continue to serve their members by looking for growth opportunities and use advanced technology (USDA, 2002, as cited by Chibanda, 2009).

Farmers producing crops which are marketed by cooperatives are gainfully employed because they can account for their labor input by revenue they earn during the marketing seasons (Chambo, 2009). A survey of selected African countries was done by International Labour Organization (ILO) on number of jobs created by cooperatives as presented Table 2.2:

**Table 2.2: Jobs created by cooperatives in selected African countries**

<b>Country</b>	<b>Year</b>	<b>Source</b>	<b>Direct self-employment</b>	<b>Wage employment</b>	<b>Induced employment</b>
Namibia	1996	Government	315	2 045	31
South Africa	1997	Government	220 713	58 468	90
Botswana	1991	Government	177	1 097	170
Uganda	1996	UCA	32 168	8 455	303
Zambia	1996	Government	9500	2 253	732
Zimbabwe	1996	ZNCF	23 424	494	1 243

Source: Schwettmann (1997).

In service cooperatives, members join together with a view to enjoy economic advantages by securing the goods and services they need to exist, to carry out their occupation or to run their business (Tchami, 2007). Service cooperatives include training institutions which empower farmers with knowledge and information which helps them increase their productivity and keep up with new technologies. Training officers were appointed by the government who used to offer training facilities to members and gave them directives on what to do and what not to do. Many non-governmental organizations used to work with the cooperatives such as Practical Action, Natural Farming Network (NFN), International Relief Development (IRD), Capscum and German Agro Action (GAA). There are a wide range of services which service cooperatives offer, including improved market access, communications, credit facilities, facilitation in securing land rights and negotiating better terms for engagement in contract farming and benefits from economies of scale for inputs.

Jobs are also created due to the existence of service cooperatives such as in the case of extension officers. Financial cooperatives are part of service cooperatives and they cover credit utilities and insurance cooperatives. The financial cooperatives offer its members financial services such as savings and loans at favorable interest rates and insurance services.

Farm supply cooperatives include producer cooperatives, which is a type of cooperative whose aim is to produce goods. According to FAO (2012) agriculture- farming, forestry, fisheries and livestock- is the main source of employment and income in rural areas, where most of the world's poor and hungry people live. Producer cooperatives are instruments of nurturing agricultural development especially in the rural areas where most smallholder farmers reside by supplying input requirements to the smallholder farming sector such as fertilizers and seed. Farm supply cooperatives can greatly contribute to rural development as they will be able to access amenities that improve the basic conditions of life. Members will be able to obtain inputs at producer prices and reduce the risk of low production. Employment is also created as a result of the existence of the supply cooperatives and it has a great impact on smallholder agricultural producers in that there will be poverty reduction as families will have basic income. Livelihood of farmers will be uplifted leading to increased productivity.

## **2.6 Comparison of traditional cooperatives and other forms of business**

A traditional cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise (Tchami, 2007). Major differences that exist between traditional cooperatives and other forms of businesses lay in the partnership, proprietorship and

the corporation. Traditional cooperatives business form relies primarily on internally generated equity from operations, usually in the form of retained patronage refunds, and debt from bank financing (Barton, 2004).

A traditional cooperative is considered an open cooperative where membership is open and members can enter and leave freely whereas new generation cooperatives are considered closed (Barton, 2004). In traditional cooperatives there are no contractual agreements and if a member decides to leave only the membership fee is lost by the member. Unlike in other businesses where there is a possibility of contractual agreement whereby one can lose a certain percentage of investment if they leave early. Also the main purpose of a traditional cooperative is to serve its members and not the pursuit of economic gain, in contrast to other types of companies whereby the goal is to maximize profits of its owners by maximizing the market value of the business, basically which is to maximize the profits without necessarily having any restraints linked to job creation or respect for the environment, etc (Tchami, 2007).

Another difference lies on the sharing returns of their profits. Traditional cooperative return profits to the investors based on members' usage of cooperative services unlike other businesses which distribute profits based on returns on investment in the business according to shares. The other forms of business' authorities can directly or indirectly exert a controlling influence by reason of ownership, financial involvement or rules governing the company, which is not the case with traditional cooperatives whereby there is a one member one vote rule.

In a traditional cooperative one of the main features is that members are both the owners and recipients of the benefits of the business, in other forms of businesses owners have an option of whether to participate in the day to day running of the business or hire management to take care

of that and they will only enjoy the profits of the business. The problems inherent in traditional cooperatives includes free-riders, horizon, control and influence cost problems affecting the sustainability of these cooperatives. Velentinov (2007) described these as incentive problems and hence the institutional disadvantages of these types of cooperatives compared to other forms of businesses. The following Table 2.3 shows the differences between a traditional cooperative and examples of other form of businesses, a corporation and a Limited Liability Company (LLC);

**Table 2.3: Comparison of attributes of business entities**

<b>Attribute</b>	<b>Corporation (for-profit)</b>	<b>LLC</b>	<b>Traditional cooperative</b>
Definition	Having lawful authority to act as a single person distinct from the shareholders who own it.	Statutorily authorized company that is characterized by limited liability and management by members or managers.	A legal entity owned and democratically controlled by its members who join together to carry on an economic activity of mutual benefit.
Who owns	Stockholders	Members	Patrons
Number of owners	C-Corp unlimited, S-Corp 100 or less	Unlimited	At least 2, unlimited
Distribution of profits	To shareholders in proportion to ownership	Typically to members in proportion to ownership	To members in proportion to patronage
Source of income to shareholder/member/patron	Dividends on stock	Dividends on ownership interest or distributions to members	Use of services, retained earnings redemption and dividends on stock (if any)
Control of business	Vote based on ownership	Typically, vote based on ownership	Democratic, one person/ one vote
Initial investment	May be substantial, controls initial ownership interest in business	May be substantial, typically controls initial ownership interest in business	Usually minimal, ownership based on patronage
Intent of business	For profit	Usually for profit but may be merely a holding company	Service to patrons and profit to owners

Source: Moore & Ward (2007)

There are new generation cooperatives which have particular characteristics that differentiate them from old forms of cooperatives i.e. traditional cooperatives. They emerged as a result of structural changes in agriculture and designed to address problems of traditional cooperatives. New generation cooperatives have a greater community commitment, greater potential in achieving more memberships, wider exposure to capital and diversity of membership. Barton (2004) conducted four cases including a new generation cooperative. Findings revealed that since the time of formation, this particular new generation cooperative increased in patronage and have been a very profitable business due to a very marketable institutional structure. Owners are allowed to lease shares and the cooperative has two types of memberships: - (i) Lifetime members pay a \$500 fee and (ii) associate members can join for a year at \$100 annually (Barton, 2004). Voting rights are given to members who have at least 100 shares of stock where one share of stock represents the annual right and obligation to deliver a product. These structures promote good institutions and governance whilst eliminating free-rider problems.

## **2.7 Summary**

The literature review revealed that colonialism was the key turning point in the development of cooperatives in developing countries. Cooperatives have endured and thrived in these countries. In Zimbabwe the cooperative movement far outstripped the funds available to make them a success and this situation threatens the credibility of the movement. The NIE theoretical framework considers that institutions have an influence on individual and firm behavior and therefore, on outcomes such as economic performance, efficiency, economic growth and development. NIE theories can be applied to economic problems faced by agricultural cooperatives. Traditional cooperatives are inherent with institutional problems such as free-rider, horizon, portfolio, control and influence-cost problems. The recognition of institutions as

important determinants of economic efficiency has created the basis for several applications of NIE theories to these problems faced by cooperatives as sustainability depends upon sound institutions which facilitate efficient and effective market system and governance structure.

Chapter 3 reviews the methodology of the study.

## **CHAPTER 3**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter focuses on the methodology used in the research. It is presented in 4 sections whereby, the first section gives a description of the study area; the second section focuses on the research design, population and sample; the third section describes the data and method used to collect the data and the last section gives an overview of the data analysis.

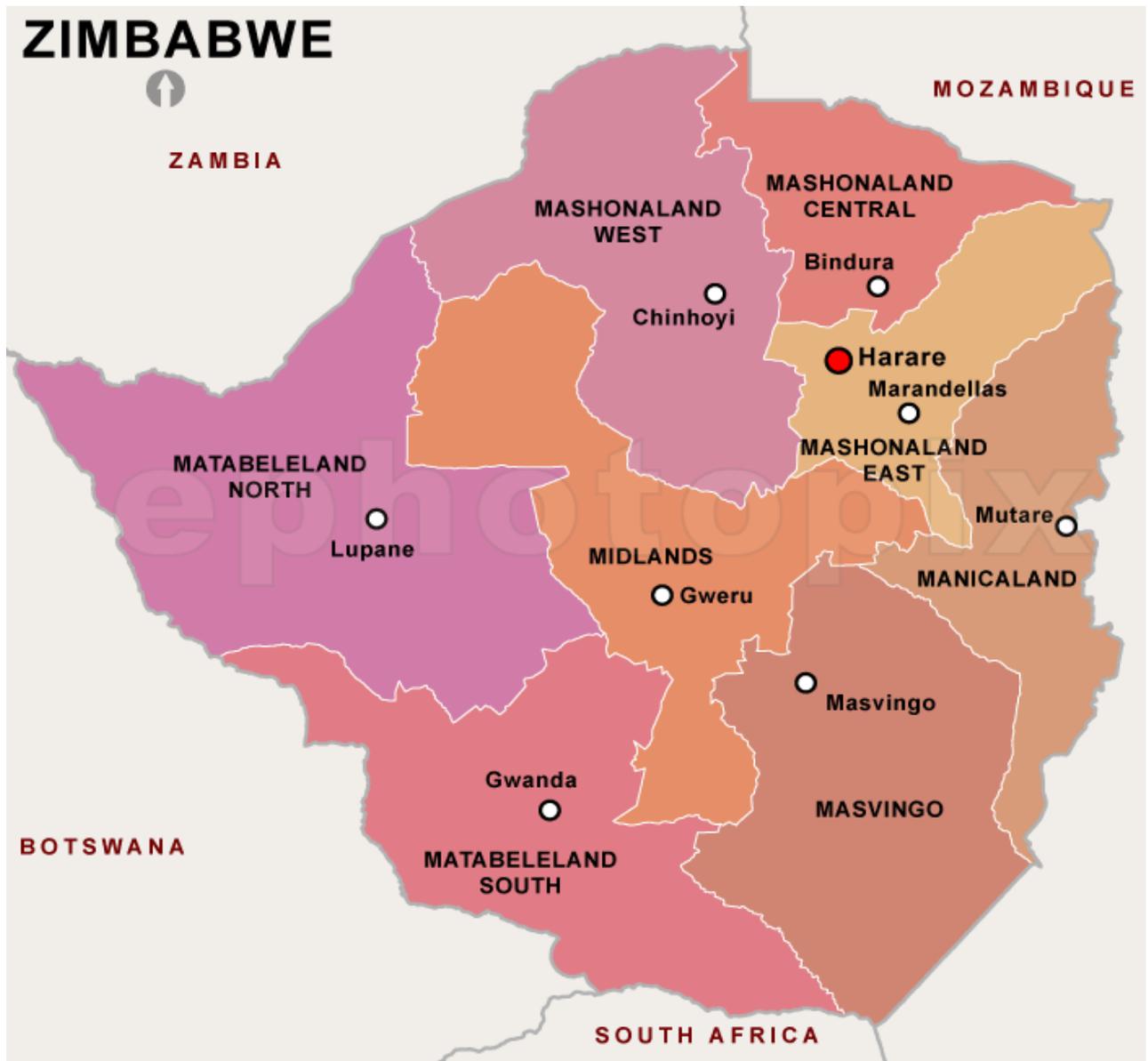
#### **3.2 Study area**

Manicaland province is in the eastern part of Zimbabwe and it stretches north and south along the eastern border with Mozambique. The quality of Zimbabwe's land resources has been classified into five "natural regions" namely regions I, II, III, IV and V which represent land-use potentials according to average rainfall received and their variability (Mushunje, 2005) (see Appendix 7). Zimbabwe is divided into 5 broad Natural Regions (NR) in which the dominant natural factor conditioning agricultural production is climate, as mainly influenced by rainfall and soil types (FAO, 2006). Manicaland is the only province which has all the agro-ecological zones as defined in regions I to V, reflecting the range from high-to-low quality land. Manicaland covers an area of about 36 459km<sup>2</sup> and is divided into seven districts namely Buhera, Chimanimani, Chipinge, Makoni, Mutare, Mutasa and Nyanga (Figure 3.2). The criteria for selecting the study sites included: market environment, accessibility, presence of cooperatives both successful and unsuccessful. Due to funding and logistical constraints the areas of study were limited to only Chimanimani and Mutasa districts. The population distribution of Chimanimani is about 115 250 with 23 wards; whereas, Mutasa district has about

167 462 with 27 wards (CSO, 2004). All the five natural regions of Zimbabwe are found in Chimanimani district. Briefly, according to FAO (2006) review NR 1 is characterized by high altitude and low temperatures with an annual rainfall greater than 1000mm; suitable for crops such as tea, coffee and intensive livestock production. NR 11 receives between 750-1000 mm rainfall per annum which is suitable for production of maize, cotton, wheat, tobacco as well as intensive livestock production. NR 111 receives between 500-700 mm of rainfall per annum with relatively high temperatures and infrequent heavy rainfalls and subject to seasonal droughts. NR IV receives between 450-600 mm annual rainfalls subject to severe dry spells and is a semi-extensive farming region. NR V generally receives less than 500 mm annual rainfall and suitable for extensive livestock production and the only possible farming system is irrigation farming. Chakohwa ward in Chimanimani district is one of these areas in NR V whereby irrigation is the major farming system (Mubako, personal communication, June 12, 2013).

Mutasa district hosts three regions namely NR I – NR III. In the province there exists the third largest inland dam in Zimbabwe, the Osborne dam, which is found in Mutasa district and the water is mainly used for crop irrigation production, domestic and industrial uses (Sugunan, 1997). There are several medium to small-scale dams in the district e.g. Mukwada, Marange and Mapudzi dams. In Chimanimani district the combined capacity of the dams is very low indicating that most of the dams are small (Mushunje, 2005). Besides a number of dams there are some perennial rivers the major one being the Odzi River and quite a number of seasonal streams. In Chimanimani about 80percent of the rural population resides in the drier NR II to V. Mubako (2004) states that many horticultural products are grown in the area, especially tomatoes and mushrooms. Tea is produced in Mutasa district and much of maize grown in Manicaland

comes from this district. Figure 3.1 shows the different provinces in Zimbabwe but our major focus is on Manicaland province.



**Figure 3.1: Map of Zimbabwe showing different provinces**

Source: eMaps world (2012)

Figure 3.2 shows the different districts in Manicaland province.

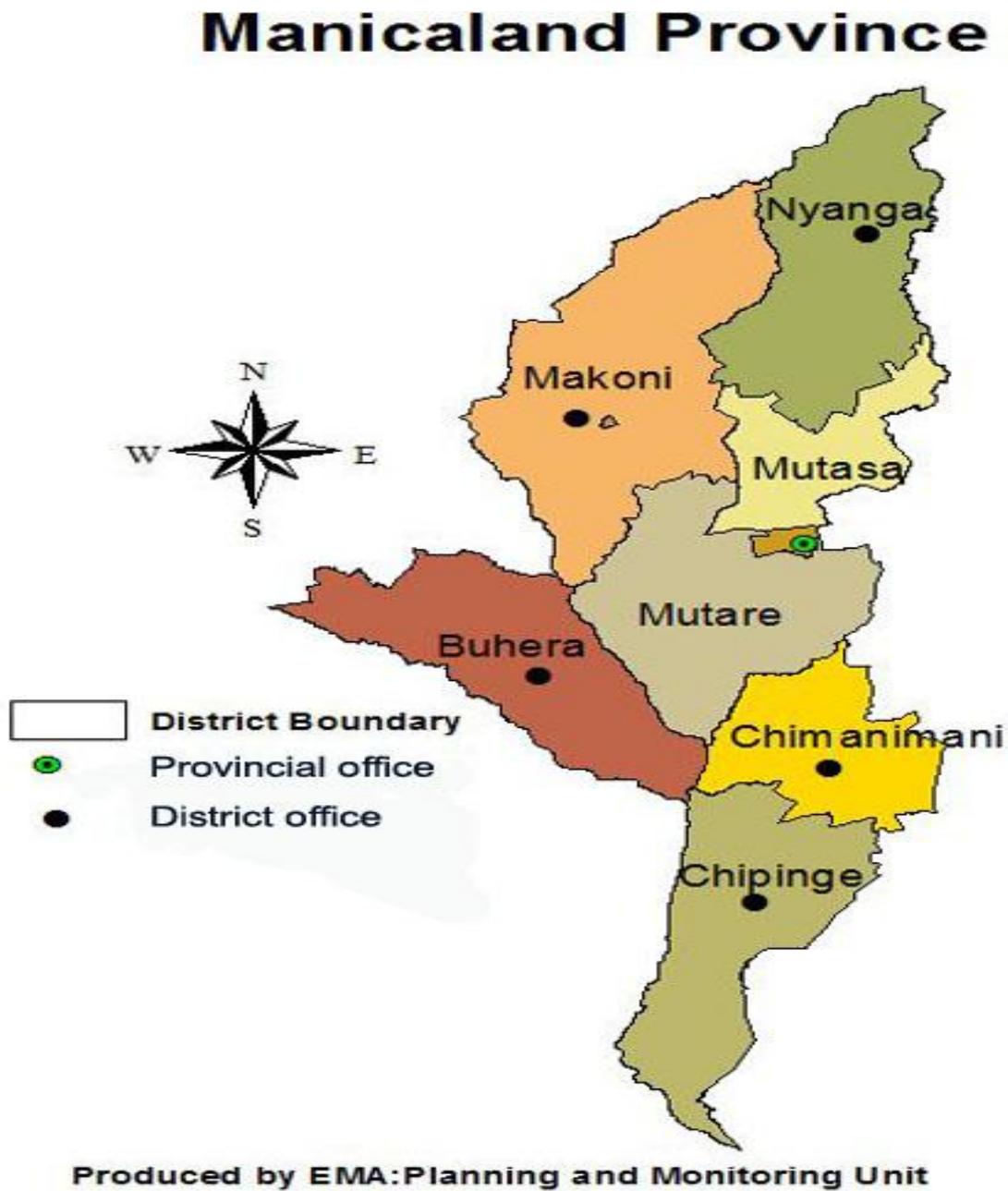


Figure 3.2: Map of Manicaland province showing different districts

Source: EMA (2011)

### **3.3 Research design, Population and Sample**

The aim of the study was to develop an in-depth understanding of the problems affecting the sustainability of agricultural cooperatives in Zimbabwe and deduce a model that will lead to sustainability of cooperatives. A mixed research design approach consisting of quantitative and qualitative approach was employed. Quantitative methods were employed whereby a highly structured questionnaire was administered to a number of participants' - in order to choose key informants for the qualitative case study. The qualitative research method was selected for this research due to the following reasons, according to O'Neill (2008):

- Provides depth and detail- looks deeper than analyzing ranks and counts by recording attitudes, feelings and behaviors.
- Creates openness- encouraging people to expand on their responses can open up new topic areas not initially considered.
- Simulates people's individual experiences- a detailed picture can be built up about why people act in certain ways and their feelings about these actions.

Additionally, qualitative methods seeks to understand a given research problem or topic from the perspectives of the local population it involves. Two forms of qualitative method were used namely focus group discussions and in-depth interviews. Focus group discussions are effective in eliciting data on the cultural norms of a group and in generating broad overviews of issues of concern to the cultural groups or subgroups represented; whilst in-depth interviews are optimal for collecting data on individuals' personal histories, perspectives, and experiences, particularly when sensitive topics are being explored (Mack *et al*, 2005).

The target population reached was members of agricultural cooperatives and affiliate groups and other stakeholders who render services to them. The study covers two districts namely, Mutasa and Chimanimani in Manicaland province. Furthermore, these districts represent districts with the highest number of cooperatives in the country. The criteria for selecting the study sites included: market environment, accessibility, presences of cooperatives both successful and unsuccessful. In addition, accessibility to the sites by the researcher was considered important, in order to be able to build trusting relationships with the participants and that data quality and credibility of the study are reasonably assured.

Five agricultural cooperatives were selected from these districts as detailed case studies in the research. Purposive sampling was used to select cases. According to White (2005), purposive sampling is based on the judgment made by the researcher on which subjects should be selected to provide the best information to address the purpose of the research. The cases within the districts were selected based on their performance as the main criterion, the cooperatives should have records and known performance where the management and staff would be available. Selection was also based on how long they had been operating (shown by available records) and willingness to participate in the study. Cooperatives selected were amongst those that had been operational for more than five years so as to gain a better understanding of why they were successful and believed sustainable. Three of the selected cooperatives were from Chimanimani district and the other two from Mutasa district. One of the cooperatives had long collapsed but the facilities and members were still located in the same area. An updated list of names of members of the cooperatives was provided from the Agritex offices in the different wards but for only three of the cooperatives, snowball sampling was used to locate the other participants. The

selection was validated by officials from the Agriculture Research and Extension (Agritex) offices in the province in order to gain a viewpoint on the performance of each cooperative.

The data was collected from documented sources and interviews with respondents. Concepts were developed from this data and an understanding deduced in the patterns from the data. Fieldwork was involved visiting cooperative sites and institutions in order to observe the current patterns of operations and collect data from available documents. In addition face to face interviews were also carried out with farmers.

### **3.4 Data and Data collection procedure**

Respective cooperatives were contacted after cases were selected so as to notify them of intended study and purpose of visit prior to the anticipated date. The head Agritex officer for the province was notified of the intended visit. Upon arrival Agritex officers in the different wards were identified who assisted in the identification and introductions of cooperatives' management teams and members.

Various types and sources of data were used in order to ensure that the findings were more accurate. The information reported in this study came from both primary and secondary data. The primary data was collected in different ways. Information was gleaned from interactions with different respondents. These interactions were in form of personal interviews and focus group discussions. Three questionnaires were used in this study namely; survey questionnaire, focus group discussions checklist and in-depth interviews questionnaire checklist. Firstly a survey questionnaire was administered to farmers to generate information which formed the basis for selecting participants for the focus group discussions and in-depth interviews.

### *3.4.1 Survey questionnaire*

The survey questionnaire was administered to farmers. The survey questionnaire (see Appendix 2) that had two parts was translated into local language during the interviews. The questions included biographical information such as gender, age, income, level of education and number of persons in their household. The questionnaire also asked questions on cooperative organization including: membership status, duration of involvement, position held, factors that affect development of cooperatives and benefits attributed to their existence. Participants were selected with the help of two agricultural extension officers. A total of 118 questionnaires were administered to respondents. Purposive sampling techniques were used to select information-rich key-informants from these questionnaires for the focus group discussions.

### *3.4.2 Focus group discussions*

Primary data was collected by conducting focus group discussions with the information-rich key-informants from the checklist of questions. Focus group discussions were conducted with farmers who used to be or were still part of a cooperative(s) during which a detailed and structured questionnaire was used (see Appendix 3). This was meant to allow more probing and having an intensive discussion around the subject at hand, while at the same time keeping focus of the research objectives. The questions covered information pertaining to the following: socio-economic status of cooperatives in society, cooperative experience, production and management information, marketing management, governance and economic viability and social acceptability of cooperatives in communities. This was to gain better understanding of the issues (from the members' perspective) on the cooperatives' activities, benefits and challenges.

The purpose of the study was explained to the participants before the interviews or any gathering of information from them. Participants were made aware of the objectives of the study and that participation was voluntary. An official letter from the university was shown to the participants to identify that the research was legitimate (see Appendix 5). Each participant was given a consent form (see Appendix 6) to sign to confirm that the respondent grants permission for the interview and understands all the terms and conditions of participating in the study. Interviews were done using the focus group discussions checklist questions and at times the interview had to digress from the questions on the checklist and this was helpful as it gave more insight into the characteristics of the farmers and established a good rapport between the interviewer and respondents. In most cases members eagerly participated during the discussions and made it easier for the commencement of the interview. The group helped the participants to reflect on what others had said and thus it prompted others to reveal more.

#### *3.4.3 In-depth interviews*

Primary data was also collected by conducting in-depth interviews with extension officers, general dealers, administrative workers, head Agritex officer and field officers from different organizations who had either been working with the cooperative, or those who render services to the cooperatives. Snowballing was used to select the second member to be interviewed. To achieve diversity of the sample the criteria for the qualities of the individual were presented. A consent form was also administered and for the personal interview an in-depth questionnaire checklist (see Appendix 4) was used. This questionnaire aims to understand how government and other organizations' interventions (such as providing cooperative training, monitoring and evaluation) affect cooperatives, and also for an evaluation of the performance of cooperatives from an outsider's point of view.

In-depth interviews were conducted on a one-on-one basis with three Agritex officers, two general dealers, five field officers from organizations which were directly involved in some projects of these cooperatives, one administrative worker at the Ministry of Agriculture, Mechanization and Irrigation Development and Manicaland province head Agritex officer. According to Mack et al (2005), in-depth interviews are optimal for collecting data on individuals' personal history, perspectives and experiences, particularly when sensitive topics are being explored. In all interviews, note taking was employed but in some but few interviews audio-tapes were used to record the interviews with consent of participant, since this provided a more accurate version of the interview. The interviews usually lasted from 30 minutes to more than an hour. All in all, 40 respondents were interviewed.

#### *3.4.4 Secondary data sources*

The secondary data was obtained from documents from the cooperatives and Ministry of Agriculture, Mechanization and Irrigation development. Secondary data was also reviewed from document search and include data, such as written reports, minutes of cooperative meetings and other communications. Other secondary data was received from Central Statistics Office (CSO), Agricultural Research and Extension Services (Agritex) offices in Manicaland and Chimanimani district and farmer organizations like Practical Action.

### **3.5 Data analysis**

Data from the survey questionnaires were analyzed using Microsoft excel. In order to get the key informants needed for each of the five groups selected for the interviews, the filter system was used where by certain parameters needed for selection were used to filter out the key informants. The data obtained was first coded using Microsoft excel and then exported onto SPSS (Statistical

Package for Social Sciences-21) for analysis. Data from the focus group discussions and in-depth interviews were analyzed using qualitative data analysis which involved the following steps: reading, description, classifying and interpretation as outlined by White (2005). First the collected data was managed in a dated, organized and sequenced manner. The recorded interviews were transcribed, in order to provide a basis for analysis, involving the coding of data and identification of important themes or points. This included describing and analyzing the situation within which the study was being carried out (including comments made by the participants). Data analysis began, informally during the interviews and observations, when recurring themes, patterns and categories became evident. Identification of recurring themes and ideas was done with a focus on the frequency of occurrence and consequently sorted into categories, which were then placed within an overall framework.

### **3.6 Delimitations of the study**

The study covered only Manicaland province as the resources were limited. The study was conducted in two districts only, because it was not possible to cover other districts which required considerable time, resources and other logistics. The study was also delimited in terms of time because time was constrained. The study covered only agricultural cooperatives and all questions used directed to this area of knowledge: thus, the ability to generalize to the entire cooperative world is severely limited.

### **3.7 Summary**

Qualitative and quantitative methods were employed for data collection with the use of survey questionnaires, focus group discussions and in-depth interviews. Five cooperatives were selected

and from those five focus groups chosen. Cases still functional and one failed one were assessed, where logistical constraints had been considered. Data collection was conducted using focus group discussions checklist, in-depth interview questionnaire checklist and a survey questionnaire administered to farmers in order to recognize information-rich key informants. Data was analyzed, based on transcribed notes and tapes. Categories and relationships were identified, in order to draw results from the study.

## **CHAPTER 4**

### **DESCRIPTION OF SELECTED AGRICULTURAL COOPERATIVES IN MANICALAND PROVINCE**

#### **4.1 Introduction**

Potential of agricultural cooperatives have fallen short of their expectations and this is partly because smallholder farmers are not well versed as to what function they serve. Members of cooperatives know that cooperatives can be good, and even readily agree that cooperatives are essential, but because members do not always share a common understanding as to why precisely we need cooperatives, farmers support them in sometimes arbitrary or inappropriate ways. Then, not surprisingly, farmers don't get the results they want which is one of the reasons which led to the cooperatives' malfunctioning. According to Crawford (1997) low standards of performance, bad management, financial failure, corruption and misuse of funds have been common constraints of cooperative development in many less developed countries. This chapter gives a description of the five cases under study in Manicaland province.

#### **4.2 Description of cases**

With regards to total membership of the case-study cooperatives, the smallest cooperative had fourteen members whilst the largest had 137 members. The respondents for the interviews were chairpersons or deputy chairpersons of each cooperative, some members of the management committee and selected ordinary members of the cooperatives. Selection was based on their experience with the cooperative, including farmers who had an overall knowledge of how the

cooperative worked and who were able to understand other farmers' situations. Most respondents present for the interviews came voluntarily from the list filtered by the survey analysis.

The following Table 4.1 gives a summary of the basic information of the selected cooperatives.

**Table 4.1: Basic information on selected cooperatives for focus group discussions' participants**

<b>Cooperative type</b>	<b>Year cooperative established</b>	<b>Registered cooperative</b>	<b>Total membership at the time of study (percent)</b>	<b>District</b>	<b>Respondents'</b>
Irrigation cooperative	1937	Yes	60	Chimanimani	Chairperson, 2 Secretaries 2 Treasurers and deputy chairperson.
Mushroom producer cooperative	2000	Yes	0	Chimanimani	Chairperson and 4 ordinary members
Processing and marketing cooperative	2000	Yes	75	Chimanimani and Mutasa	Chairperson, 4 Ordinary members and secretary
Nutritious gardens cooperative 1	1981	Yes	94	Chimanimani	Chairperson, Secretary, 4 Ordinary members
Nutritious gardens cooperative 2	2000	No	14	Mutasa	Secretary, treasurer, 3 Ordinary members

Four of the selected cooperatives were producer cooperatives marketing their own products. One was a processing and marketing cooperative which dealt with only the end products of the farmers. Two of the producer cooperatives were involved in nutritious gardening producing

vegetables like beans, groundnuts, tomatoes and green vegetables. The other producer cooperative was involved in mushroom production which they also marketed on their own. The last producer cooperative was involved in production of maize, sugar beans, wheat, cotton, among many others and this cooperative used irrigation methods for production. Four of these cooperatives were registered whilst only one was not registered. Three of the selected cooperatives were established in 2000 (Table 4.1), one in 1937 and one in 1981.

All the cooperatives experienced a drop in membership with one even closing down its operations. Meetings were held but not as frequently and organized as they used to be (Mubako, personal communication, June 12, 2013). The next section describes the structure and organization of these cooperatives.

### **4.3 Structure and organization**

#### *4.3.1 Visions and objectives*

Each cooperative had certain visions/objectives which guided them in their operations. Some even had targets to meet for example, the irrigation cooperative had supervisors appointed by the government which gave certain targets to farmers according to what they had planted that season and if anyone did not produce up to standard, their land would be taken and given to other willing farmers. Strict measures were enforced. The cooperatives were seen as a means of increasing productivity in the country and better the livelihood of members. Some were started as a food basket to the community to reduce poverty levels as the farmers would earn a better

income to sustain their families. Some were seen as agents who would provide quality products to big chain supermarkets around the country unlike always importing products from outside.

There are many reasons why these cooperatives were started in Zimbabwe. Different organizations started them as they saw the different needs the farmers had. Four of the cooperatives were started by Non-governmental Organizations (NGOs) and only one by the Zimbabwean government. Most members in these cooperatives joined in-order to have a source of income they could rely on for their families. The cooperatives were seen as a source of employment and helped uplift the livelihood of farmers in the areas. They had better income than when they worked on their own and shared ideas on how to develop themselves.

According to some of the members present when the cooperatives started farmers were excited of the idea and encouraged other farmers to join. Everyone was attentive of any new development in the community and no one wanted to be left out, as a result almost everyone in the communities was once a member or still a member of either one or more cooperatives.

The following Table 4.2 shows the institutions/organizations that started the cooperatives, the different reasons attributable to it and visions/objectives of these cooperatives pointed out by the members.

**Table 4.2: Reasons attributable for joining of members of selected cooperatives**

<b>Cooperative type</b>	<b>Who started the cooperative</b>	<b>Reasons for joining</b>	<b>Visions / objectives</b>
Irrigation cooperative	Government	-Government directive if one wanted land -Create employment opportunities for members	- Increase productivity in the country - Control production and making sure there is progressive production in every farming region. - Supply produce to the government for distribution to other provinces of the country
Mushroom cooperative	Community Based Orphanage (CBO)	-Poverty reduction -Provide income to orphaned families in the local community -Community development	-Supply to large chain stores such as Spar and Bon Marche. -Create employment to orphaned families. -Establish a warehouse that provides quality mushroom for all the big shops and franchise. -Increase income for local community. - Uplift the livelihood of members
Processing and marketing cooperative	Towards Sustainable Use of Resources Organization (TSURO)	-Community encouragement -Teach local community effective and efficient marketing methods -More income	-Engage in value addition methods and post harvest processing of products like tomato sauce and canned tomatoes. -Expanding of sales to other provinces -Markets analysis
Nutritious gardens cooperative 1	Germany Agro Action (GAA)	-Encouraged by GAA -Provide vegetables to local community -Create employment opportunities -Poverty reduction	-Plant and sell organic vegetables to the community -Obtain an irrigation system for the vegetables -Build a pack house for their vegetables
Nutritious gardens cooperative 2	Towards Sustainable Use of Resources Organization (TSURO)	-Provide vegetables for local community -Encouraged by member -To feed families -Employment creation	-Supply vegetables to the local community -Create employment opportunities for the community -Reduce poverty levels in the community

### 4.3.2 Age and gender composition

The mushroom cooperative had only female members and only three were elderly people. Most elderly people are skeptical in joining cooperatives at first as they believe they have all the knowledge they need from many years of experience thus the low numbers of elderly members older than 40 years of age. Majority of members were females because most men go to work in the cities and women are left to become farmers in the villages, with the exception of the irrigation cooperatives which started when Zimbabwe was still under colonial rule and blacks were engaged in farming as their main source of livelihood and mostly males engaged in the production.

The following Table 4.3 gives a summary of the age and gender composition structure of members.

**Table 4.3: Age and gender composition of selected cooperatives in Manicaland province**

Cooperative Type	Year started	Total membership at start	Membership Age		Gender	
			>40 (percent)	<40 (percent)	Male (percent)	Female (percent)
Irrigation	1937	197	29	71	60	40
Nutritious gardens 1	1981	36	31	69	6	94
Mushroom	2000	14	21	79	0	100
Processing and marketing	2000	140	4	96	39	61
Nutritious gardens 2	2000	14	14	86	29	71

The chairperson vacancy was chosen through a voting system together with other management positions, except for the irrigation cooperation whereby appointment was done by the government personnel in charge for that district. Only one cooperative considered education as a prerequisite, including experience and training.

#### **4.4 Financial structure and management**

##### *4.4.1 Sources of finance*

Sources of finance differed for the different cooperatives but most came from the different organizations which started them. The irrigation cooperative was funded and run by the government from its inception up to 1993 when it was decentralized and every farmer had to fund their own activities. Capital from the government was in the form of inputs like fertilizers and seed, irrigation equipment and fencing. They used to pay trainers who used to provide farmers with proper farming knowledge and kept Agritex agents who were on a constant payroll who saw to the day to day running of the cooperatives and extension support. After the decentralization phase, farmers had to seek out finances elsewhere and many NGOs came in to help. Capscum was one of these which provided loans and introduced contract farming to the members whereby they would provide all the necessary inputs and in turn the farmers would sell their products to them at the price they offered. Since it was a registered cooperative, a certain amount was paid by every member into the cooperative account for operation and management of the cooperative and other requirements they might need like renovating buildings and buying equipment and tools. This money was from the sales they would have made from their products.

The mushroom cooperative was started and funded for by an NGO called Community Based Orphanage (CBO). They financed the inputs, equipment for planting the mushrooms and knowledge on mushroom production. In 2007 another NGO named Practical Action assisted with funds to construct a proper building for production, a laboratory and different sophisticated equipment to engage in quality production. They even assisted in paying of electricity and water bills. The Roman Catholic Church also helped with inputs. Another organization called Computer Aided Design Environment for Composites (CADEC) sourced out loans and donations for trainings and workshops for members. The loans are deposited into the cooperative account as it was a registered cooperative and only withdrawn by the treasurer and secretary for whatever all the members would agree to use it for its operations. The loans were given to the cooperative as a whole not individually.

The processing and marketing cooperative mostly received its finances from its members in the form of members' equity. TSURO helped to source out funds from other different organizations and donors. A board of trustee was formed which sourced out funds and conducted trainings. They did feasibility studies to ascertain what is needed and organized how funds will be used with the help of government advisers. Donations came from the government, some organizations and well-wishers.

Financial assistance for Nutrition gardens cooperative 1 from Chimanimani district came mostly from GAA organization. It donated all the equipment needed and inputs used. Later on the members had to source out funds of their own to continue production as the organization withdrew its services 2 years after it started. Presently, the cooperative is on its own and supply

its own inputs and other requirements. The other nutritious gardens cooperative from Mutasa district received some of the financial assistance from TSURO; this was in the form of donations of building materials, seed and knowledge. Otherwise most of their funding comes from members' equity. Every member has a different amount they pay to the cooperative treasurer as the need arises, and only when they need to use it otherwise there is no fixed account as it is not a registered cooperative.

Four of the cooperatives did not acquire loans from the bank as it is hard for traditional cooperatives to seek loans from banks as collateral is needed which they cannot provide. According to Iliopoulos (2003) traditional cooperatives have a problem in acquiring equity capital because the residual claimant (benefactor) is the patron of the firm, not the investor. In U.S. agricultural cooperatives, equity capital is typically provided by utilizing these approaches: direct investment, retained patronage refunds, or per-unit capital retains (Iliopoulos, 2003). They rely on donations and loans from organizations and well-wishers. This usually leads to inadequate financing for their different projects as some donations may come after a certain point of production whereas they would have gone through some stages of production without all the necessary inputs. This in turn affects productivity.

#### *4.4.2 Financial status of selected cooperatives*

Every registered cooperative was required to open a bank account. According to the respondents the treasurer was the one in charge of all accounts and management of all financial matters. Table 4.5 shows the range of funds kept in the banks at the time of study. Some of them were not sure of the exact amount and others liked to keep the actual amount confidential.

**Table 4.4 Funds kept in the bank by selected registered cooperatives in Manicaland province**

<b>Cooperative type</b>	<b>Funds in the bank (US\$)</b>
Irrigation cooperative	500 – 1000
Mushroom cooperative	-
Processing and marketing cooperative	1000 – 1500
Nutritious gardens cooperative 1	100 – 500

Nutritious gardens cooperative 2 in Mutasa district was not registered therefore, they did not have an existing bank account. They only collected money from members as the need arose. Income generated by each selected cooperative differed and some had high turnover per annum according to the extension officers on ground. The exact amounts are not known as people were skeptical in giving out such information. Others were not even aware of the income generated by the cooperative as a whole but only knew of their individual income. Most members were in the range of US\$100-500 gross income per month.

According to respondents for the different cooperatives, profits used to be shared equally at the initial phases until recently when members felt some were benefiting more than others as they assumed there were money laundering schemes from some of the management personnel. Now each and every member gets his/her income from sale of products they individually produced. If they market their products as a group share of profits will depend on amount of produce provided by each individual. This was the case for all cooperatives except the mushroom cooperative

which collapsed whilst distribution of surplus was done equally. As unanimously agreed, trend in turnover for all cooperatives has decreased since establishment.

#### *4.4.3 Auditing*

According to the Cooperative's Act (2005) an audit of the affairs of a cooperative must be conducted annually in respect of each financial year in order to ensure financial statements are drawn up in conformity with generally accepted accounting practices. In addition, the auditing report should state whether the assets and facilities of a cooperative are being properly managed and the operations of a cooperative are being conducted in accordance with cooperative principles (ICA, 2005). At the time of the study all cooperatives did not have either internal or external auditing. Only the irrigation cooperative had a store's manager appointed by the government who was in charge of irrigation equipment and records. He did a periodic examination of the books of records for internal control system and did a report of depreciating assets which needed to be either fixed or repaired or replaced. The other cooperatives only kept books of account and records but never conducted any audits. Some of the books were not even up to date. Therefore, there was low effectiveness of risk management, control and governance processes.

Auditing allows cooperatives to take account of their financial business transactions, how much stock they acquired, how much they sold and to rectify any errors detected (Chibanda, 2009). None of the cooperatives used external auditors. Internal auditing was done by extension officers from the onset but at the time of the study, extension officers only controlled and supervised

production, no one did an audit of the books but only encouraged the cooperatives to keep records of all activities.

#### **4.5 Marketing**

Agricultural cooperatives provide an assured market for commodities produced by isolated small farmers and with collective action can capture the benefits of value added, because of bulking and take advantages of introducing grades and standards allowing agro processing value addition for the members (Chambo, 2009). With regards to this, marketing research and development is crucial. The government used to conduct trainings and helped on finding information on choosing best product the cooperatives should invest in, finding the best place to sell products, deciding on the best price to sell produce and how cooperatives should go about promoting their product once it is available. They used to gather buyers at the end of each season for the different products but since their withdrawal not much improvement was done in this area. Other organizations like Capscum also used to come and buy their produce but as of late none of them are offering their services to these cooperatives in terms of markets.

The processing and marketing cooperative through TSURO helped its members to add value to their products but there exist a stiff competition from outside products entering the markets as they are of high quality. The cooperative as of now rely on donations for other processes as the country is currently facing economic problems and funds are being tied up. The other existing cooperatives use the community as their market base. Members are now individually selling their produce and sometimes forced to reduce their prices as the markets get flooded with the same products during peak season.

#### **4.6 Summary**

Membership of most of the selected cooperatives is limited to individual farmers whose main occupation is farming. Most of the cooperatives are producer cooperatives with one being a processing and marketing cooperative. Reasons for joining include the need for community development, creation of employment and to provide food security for the members' families. Most of the cooperatives main source of capital has been support from donors, government and what they get from sale of produce. All the selected cooperatives had been operating reasonably successfully for a period of time. However, the cooperatives faced many challenges, both from its internal organization and external environment which led to the collapse of one and under performance of the others.

## **CHAPTER 5**

### **RESULTS**

#### **5.1 Introduction**

The results are presented in three parts: analysis of the survey questionnaires, focus group discussions and in-depth interviews analysis. Microsoft Excel and the Statistical Package for Social Science® (SPSS-21) were used to analyze the survey questionnaires data which were classified into frequencies. Qualitative methodology was used to analyze the focus group discussions and in-depth interviews whereby data were coded and analyzed into emerging themes.

#### **5.2 Household characteristics of selected cooperatives**

The survey comprised a total number of 118 respondents: 82 from Chimanimani district and 36 from Mutasa district. Fifty-seven percent of farmers reached were males; migration to urban areas in search of work is minimal in the area. Most households had a range of 3 to 4 people per household. A majority of the farmers were in the age range of 31-40 years and 22percent were above the age of 40 years. Most youths migrated to the urban areas in search of work and those present were minimally involved in all production activities.

Education is widely recognized as a vehicle for empowerment, economic growth and general improvements in welfare, but it is also one of the important variables which enhance farmers' ability to acquire, process and use agriculturally related information. Approximately sixty-nine percent of farmers have attained Ordinary level of educational qualification and very low numbers (13percent) have gone beyond the ordinary level of educational attainment. High

quality education is low in all areas and those who have migrated to urban areas. The following Table 5.1 shows the educational qualifications of the respondents.

**Table 5.1: Highest level of educational attainment by members of cooperatives**

Qualification level	Number of members	Number of members (percent)
Advanced	3	2.5
Certificate	4	3.3
Degree	2	1.7
Diploma	4	3.3
Ordinary	84	71.2
Primary	21	17.8
TOTAL	118	99.8

All respondents were farmers and almost 98percent of members were full-time farmers with a few doing farming on part time basis. Family labor was used and as a result all members of most households grew up to be farmers themselves. The total survey analysis showed that the majority of farmers (approximately 92percent) earned between US\$100 to US\$500 per month from their produce. The following Table 5.2 presents the income generated by members from the different farming activities they did.

**Table 5.2: Income per month of members from their different farming activities**

Income US\$	Number of members	Number of members (percent)
<100	3	2.5
101- 500	108	91.5
501-1000	5	4.2
1001-1500	1	0.8
1501-2000	1	0.8
TOTAL	118	99.8

Almost all farmers had been involved with a cooperative at some point in time or the other, except for one who had just moved from Mozambique to Zimbabwe. When a new idea or organization introduces something new in the community no one wants to be left out as a result at one point in time everyone was once a part of some cooperative. At the time of the study approximately 82percent were still part of a cooperative organization, the remainder had left the cooperative movement due to different reasons, for example, collapse of some cooperatives or they became old and left the farming to the young generation. About seventeen percent of the farmers had been part of more than one type of cooperative and some were still involved in them. The most prominent discovery is that everyone had been part of a producer cooperative as it was the most common type of cooperative found in Zimbabwe.

Majority of the respondents in the sample had been involved with cooperatives for more than three years as can be seen in Table 5.3.

**Table 5.3: Number of years that members have been involved with cooperatives**

Number of years	Number of members	Number of members (percent)
<1	4	3.4
1-2	10	8.5
2-3	13	11.1
>3	90	76.9
TOTAL	117	99.9

Most members (approximately 77percent) had been involved with cooperatives for more than 3years therefore, they were well versed with existence of cooperatives. A summary of the positions of responsibility held by the farmers in cooperatives is analyzed in Appendix 8. As can be seen the most position held by the farmers is ordinary membership.

### **5.3 Results of focus group discussions**

Five focus group discussions of farmers from the following five different cooperatives were analyzed. These are:

- (1) Irrigation cooperative group (IRR-group)
- (2) Mushroom cooperative group (MUSH-group)
- (3) Processing and marketing cooperative group (PROMAK- group)
- (4) Nutritious gardens cooperative 1 group (NUT 1-group)
- (5) Nutritious cooperative 2 group (NUT 2-group)

All the cooperatives in this study, in their current state are not considered to be sustainable, based on their failure to successfully manage their businesses and preserve their capital and assets.

Factors contributing to sustainability problems are classified into the following main categories; institutional structure, governance, performance, managerial skills, marketing management, economic viability, social acceptability, financial support, policy implications, farming-knowledge experience, role of external stakeholders and extension services and training.

### *5.3.1 Institutional structure*

Cooperative membership was open to new members for all the cooperatives and it was also voluntary. When the first cooperative started in the district in 1937 everyone wanted to be a part of it. IRR-group mentioned that if one wanted land to farm they would have to be part of the cooperative as strict policies were put in place by the colonial government to control the land for maximum productivity, as one key informant mentioned:

*“In-order to get a place to farm, we had to join the cooperative and there was a manager who was the overseer of all the land distributed by the colonial government. We would work very hard to reach the intended target of produce using the knowledge given to us through trainings because if any one didn’t manage to reach that target, they would risk losing their land”.*

As expected in a TC, net surpluses were distributed in proportion to individual equity contributions. Returns were not proportional to individual investment. For the irrigation cooperative everyone was expected to produce a certain target and profits shared equally. The MUSH-group, NUT 1 and NUT 2- groups worked together and shared surpluses equally. Only the PROMAK- group mentioned that they would gather and sell their produce together but profits were shared according to individual investment, as indicated by one member:

*“There was unity in the processing of all products as we would also be learning different processing methods and the officers from TSURO will group us according to the different merchandise we had. We would receive our proceeds after all the products had been sold and one would get according to his/her quantity sold”.*

All members had equal voting power (one member, one vote) and this suggests that members were discouraged from investing because their voting rights are not proportional to their individual equity contributions. Shares are non-transferable and non-appreciable creating a disincentive for members to invest. Discussions with the cooperatives’ management revealed that the valuation of assets was not done annually to ascertain if there was asset appreciation or depreciation except for the PROMAK cooperative. Non-members qualified for the same prices paid to/by existing members which creates a free-rider problem. According to the NUT 1-group and NUT 2-groups, members are rewarded according to their labour input. This is not the case for the IRR-group and therefore failure to reward their members according to their labour input creates an incentive for some members to shirk. There is unity in investment preferences for all cooperatives. New members pay par value to join the PROMAK cooperative but for all other cooperatives there is free membership. The latter suggest the free-rider problems since the gains from cooperative action can be accessed by individuals that did not fully invest in developing the gains, whether those individuals are new members or nonmembers.

### 5.3.2 Governance

Voting for all cooperatives is by secret ballot at Annual General Meetings (AGM) where management committees are duly nominated and elected. Some members may not be present due to different commitments but if the majority is present voting is conducted. AGMs are usually

held at the end of each year. The processing and marketing group conducts a combined meeting of all seven districts in the Province and another one for its members in the district. According to one key informant minutes of AGMs are available to all members. Education for management is a challenge for most cooperatives. The mushroom and both nutritious gardens cooperatives do not take into account necessary skills for members and education of management team members. When the irrigation cooperative started, members used to apply for the positions and the one with the best qualities was appointed but as of now anyone can qualify as long as you are the people's favorite candidate, as quoted from one of the respondents:

*“...I applied for the chairperson' position but was not accepted as I had only reached grade 7 before my parents died and was left to venture into full time farming. The boss told me I was not qualified for the position as they needed someone who spoke good English and knew how to review the cooperative's documents. Now it is easier as anyone can get the position if they have the majority votes”.*

The processing and marketing cooperative conducts trainings for candidates who would have been nominated for the positions so that they gain the necessary skills and education of management team members so that they have positive implications for the ability of members to improve overall performance of their cooperative (Ortmann & King, 2007). According to the Cooperatives Act of 2005, an audit of the affairs of the cooperative must be conducted annually to ensure that financial statements are drawn up in conformity with generally accepted accounting practices. In addition, cooperatives are required to provide a report on whether their assets and facilities are being properly managed and the operations of a cooperative are being conducted in accordance with cooperative principles. One ex-chairperson pointed out that the irrigation cooperative used to have an in-house auditor before the end of the colonial rule in 1980

but as time went on the new government failed to pay the auditor and the post was dissolved. Extension officers at some point were required to carry out that task but it proved difficult as they were not well versed with adequate skills for the task. Discussions by respondents exposed that The MUSH-group, NUT 1-group and NUT 2-group never had an auditor to look into their books, which left room for misuse of assets by management and members of the cooperatives, as noted by one key informant:

*“There was a time when some of the management members withdrew Z\$50,000 from the cooperative’s account and shared Z\$25,000 each. I knew it was them as they had tried to convince me earlier to get some money from the account but I refused because I did not want to get involved in any stealing. Since I was not the signatory to the account, they went ahead and withdrew the money as there was no one who questioned the books”.*

According to some members from the MUSH-group this was partly the reason why their cooperative collapsed. The other reason given by some respondents was that a few members of management looted funds and assets. The PROMAK-group mentioned that an auditor comes yearly provided by TSURO to provide an independent audit. Audited accounts are accessible by all members.

### *5.3.3 Performance*

The findings reveal that the performance of the cooperatives understudy were not satisfactory to all concerned parties. This is evident by decrease in production as witnessed in the cooperatives’ records. Factors indicated by respondents which affected productivity are water shortages for irrigation due to vandalism of fence and canals by poachers who diverted the water sources to their fields (Appendix 9), people did their laundry in the canals and the water with different

chemicals from washing detergents flowed into dams which exposed them to siltation resulting in water shortages (Appendix 10), withdrawal of stakeholders leaving no one to control the daily management decisions, lack of inputs and funds for various necessities arose and all these greatly affected productivity.

A number of respondents reported that most members stopped selling jointly since the surplus was dwindling over the years. One member stated that “...*we are not working together as a group because some even fail to produce a reasonable quantity of products; also there is no one to give us the transport and markets to sell our produce together, so everyone sells their produce individually*”. They do everything else jointly but when it comes to selling their produce they do so individually. It is only the processing and marketing cooperative which is generating a net surplus and dividends for its members.

Evidence from the cooperatives’ register reveals that there has been loss of members from among all the cooperatives in the study since they registered. Discussions with respondents revealed that this was due to financial constraints, corruption, vandalism, among many other reasons which resulted in some members losing hope and some misusing cooperatives to pursue political goals, as captured in these sentiments:

*“We faced a lot of challenges as cooperatives and morale of members was demolished. With the withdrawal of help from the government and other companies, there was lack of funds and we were not able to sustain ourselves. With the lack of enforcement agencies, poachers took advantage of that and vandalized the fence and canals. A few members of management looted the remaining funds and some members left the cooperatives because of lack of*

*transparency by management members. Our cooperatives were now seen as hunting grounds for politicians who wanted voters for their campaigns”.*

The main purpose for establishing the cooperative was to address the challenges that farmers faced in accessing input and product market but this goal was lost in the way. Respondents from all cooperatives noted that from the time they registered, members received skills training for their different enterprises until such a time when the people who used to conduct these trainings on a regular basis withdrew their services. This also affected cooperatives' performance. Now only the processing and marketing cooperative conducts regular training workshops.

#### *5.3.4 Marketing management*

Smallholder cooperatives often face a number of barriers, for example, transport constraints to accessing the market for their produce (Magingxa & Kamara, 2003). Hence the availability of a market and transport for producer cooperatives is crucial to the overall performance of cooperatives. The irrigation cooperative used to receive transport facilities during harvest time from the government and would go to government purchase outlets/markets where they would sell their produce, as indicated by respondents. One such market is the GMB where they receive a substantial amount for their produce. According to a number of respondents the withdrawal of such support from the government, lead some NGOs and buyers to patronize the cooperatives on their own to buy the products, as one said:

*“It is not easy for us farmers to sell our produce to Capscum, even when we knew they were buying. The Capscum officials would collude with the vendors to go and buy from us at lower prices and sell to them at a certain price. Only the vendors that have that connection are able*

*to get fair prices, while smallholder farmers like us will just be told by the Capscum officials that we don't have money and this and that, and then we give up and sell to the vendors”.*

As of today the members are forced to sell individually using local markets because of lack of transport facilities as stated by one member of the management committee.

*“We sell our produce to the people here in the area because there is no transport to go and sell at the big markets in Mutare. The government used to help us with the transport but now we have to provide it for ourselves of which we don't have enough money from the proceeds to cater for any transport logistics”.*

However, the local markets will be flooded with the same goods thereby affecting prices. There is nothing they can do because they sell in times of adverse agricultural conditions followed by emergencies (for example, pay school fees, hospital bills, etc.).

The members cannot compete with imported products because their produce is not well processed for better competitive advantages. The mushroom cooperative before its collapse used to have a ready market for their produce because they produced high quality and well packaged mushrooms as stated by one respondent:

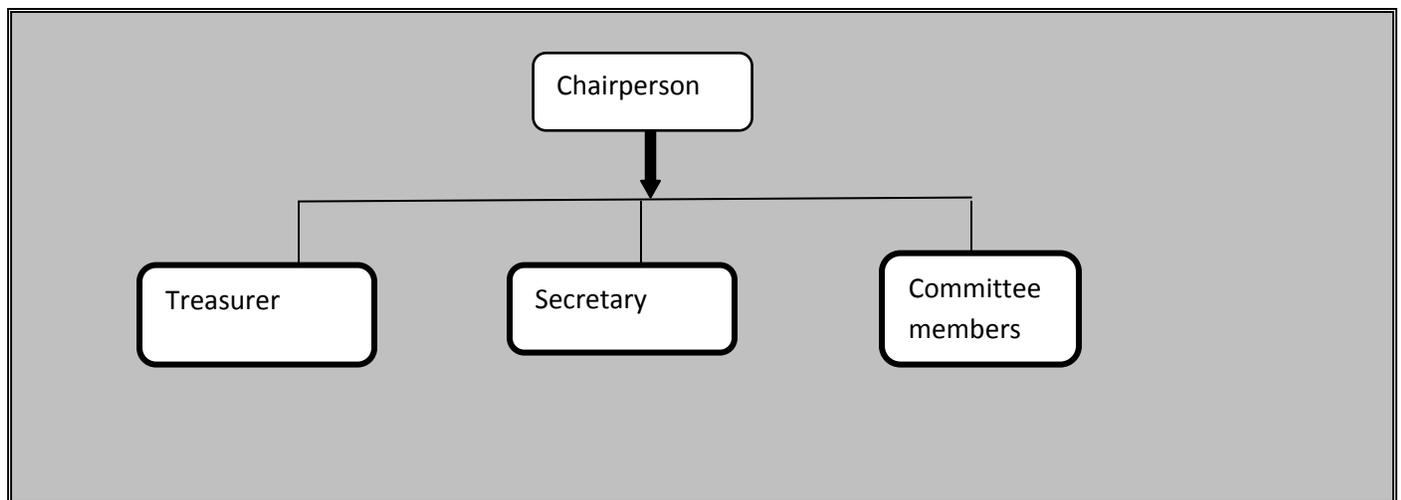
*“When the cooperative started we received trainings on production, packaging, labeling and selling. We had the best product compared to other areas and we supplied big supermarkets like Spar and OK supermarkets in Mutare”.*

The nutritious garden cooperatives sell their produce at the local markets and neighboring local markets too. Those who want to earn more for their produce usually join the processing and marketing cooperative in order to learn how to add value to their products through nice

packaging and labeling. The cooperative group received help on marketing the produce to nationwide markets and even international markets. There was a group in 2000 that used to export the processed produce to Germany (Shuro, personal communication, June 12, 2013).

### 5.3.5 Managerial skills

Management of four of the cooperatives under study had the same structure as shown in the following Figure 5.1. It comprised of farmers and all of them were members of the cooperative.



**Figure 5.1: Management team**

The chairperson's role is similar to that of a manager. His/her responsibilities are mainly supervision of all matters relating to establishment, preparation, reconciliation and to act as liaison with external stakeholders. The secretary's responsibilities include keeping in custody all records of the cooperative, issuing notices for meetings, keeping minutes of all meetings and executing other functions as may be assigned to him/her by the management committee. The treasurer's duties included preparation and maintenance of all accounts and reports, managing the funds of the cooperative and executing any other function assigned to him/her by the management committee. In the processing and marketing cooperative there was a board of

members comprised of farmers whilst management was comprised of both farmers and hired staff. Findings from the study revealed that in four cases, there was lack of managerial skills. This could be noted by failures in most business strategies, poor quality productions and decrease in assets, as stated by one member: *“Instead of the assets increasing they are not and some are even disappearing because they are not managed properly”*.

In others cases the cooperatives were not aware of acceptable business dealings and ended up being involved in risky transactions with unscrupulous traders. Discussions with some respondents revealed a scenario which happened previously where NUT 1-group and IRR- group used to deliver their produce to a certain supermarket in Mutare town without any written contract agreement, especially one related to payment formats. One time in 2008 when there was a shortage of cash in the banks in Zimbabwe, the trader issued them a bank cheque but it was not processed because the writer had insufficient funds in the bank. The management did not know what to do in such a situation and could not locate the trader therefore they lost their money. Their lack of skills also contributed to failures in administration duties which lead to others misusing cooperative funds and assets leading to deterioration of buildings as they were not being managed properly. In the mushroom cooperative some members reported that there was corruption among management who sold equipments and share all the profits on their own, including the capital and all bank balances, resulting in its collapse (Appendix 11).

The management failed to manage the assets properly which led to collapse of their projects and closure of the cooperative, as noted in these sentiments:

*“The chairperson influenced the other committee members she liked to steal some of the assets, sell them and share the proceeds. She did not like to see any improvements which*

*ignited quarrels between members and lowered production thus eventually leading to the collapse of our cooperative”.*

There was also evidence of the positive effect of competent managerial abilities, as noted in processing and marketing cooperative. Although the cooperative is not working to its full potential, they have satisfactory business plans and good marketing channels for their products.

### *5.3.6 Financial support*

All cooperatives require financial assistance. A respondent from the irrigation cooperative indicated that:

*“We received assistance in the form of drought relief subsidy from the government and financial support until a point in time when the government constricted its funds and now we are left to finance our own activities”.*

With the withdrawal of the government support, they received some assistance from donor organizations and some NGOs in the form of loans. All other cooperatives were financed by donor organizations like Practical Action, GAA, TSURO, CBO and Roman Catholic Church, in raising their capital. This suggests that the cooperatives are not creditworthy in the eyes of private sector lenders or investors and therefore the cooperatives experienced low equity levels. The members were used to being funded for their operations that whenever any of the funds ceased they incurred serious financial problems, as captured in these sentiments “...which means once the money stopped coming in things would come to almost a standstill”. Less than five percent of the farmers could sustain themselves without the help of donors.

### 5.3.7 Economic viability

Economic viability means the farmers are having a better income after all expenses are paid. Discussions with members revealed that majority of the members are experiencing low economic returns which can only sustain their families but leaving no room for expansion, as noted in these sentiments:

*“Assets are deteriorating and we do not have the money to buy new ones which affects production. Some of the equipment is not functioning properly and others already stopped working. There are thieves who are stealing some of our pipes and vandalizing our tools making it hard for us to do our work efficiently and effectively. All this is affecting production and at the end of the season we are receiving low yields and poor quality maize thereby affecting our income.”*

Some may have already accepted minimal returns from farming as the main challenge of agricultural production enterprise, as captured in these statements of one of the respondent:

*“Even though we are making low profits, the cooperative is still there because we still have some of the facilities which are better than not having anything. So since farming is giving us at least a little means of survival then we just say lets remain to get anything we can from it”.*

Some are willing to accept losses from farming in anticipation of the eventual conversion of their property to a more valuable use but rising costs will continue to put more pressure on them. Three of the case studies indicated challenges in sustaining their operations on the basis of current and projected revenues of which in order to succeed, they must be able to outpace any rise in costs. The processing and marketing cooperative is still able to sustain their operation with their revenues. With the scarcity of donations and loans, they cannot sustain a healthy

agricultural industry by themselves, thus low productivity due to lack of activities that can support them financially. Majority of the members derived income from social grants and sale of produce but now income is only earned through sale of produce, as noted by one member: “...we survive on the money we receive from selling our vegetables”. Since productivity has lowered, income has also decreased. The mushroom cooperative has even collapsed.

#### *5.3.8 Social acceptability*

Majority of the members (89percent) indicated that they were satisfied as regards to the existence of cooperatives while those who were not satisfied provided reasons for their dissatisfaction. About 4percent stated the sharing of profits equally and corruption by management form part of their dissatisfaction with cooperatives. Among the remaining 6percent, indicated poor housing facilities for their activities, lack of proper trainings on how they should function, being given directive on how to farm and dependence on others for everything as their reasons. Those who were satisfied with the existence of cooperatives highlighted a few issues they were not happy about; this includes lack of financial resources with which to expand their farms and misuse of cooperative funds by leaders. After the collapse of some cooperatives in the district and mismanagements by others, cooperatives were seen as a nuisance by some members of the community, as evidenced by the response of a respondent:

*“The owners (referring to the NGOs who had introduced the cooperative idea to them) who started the cooperative should come and see what has become of it now. They should come and take back their rubbish which is bringing chaos into our community”.*

This was also evidenced by challenges faced in finding respondents during the first days of the research during the administering of the survey questionnaires. A number of members were happy with cooperatives and those who responded indicated status and a sense of security as the main reasons they are happy with being members and a few indicated that it is easier to work as a group than individually, as noted by one member: *“We work as a team and cooperatives brought unity in the community”*.

#### 5.3.9 Extension services and training

For every cooperative there were extension workers provided for by the government in each district. These extension workers provided assistance to members in terms of knowledge and monitoring activities done by the farmers. The only problem is that the few extension workers (three in number) worked with all farmers including cooperative members and non-members in all the communities which made it difficult for them to give special attention to one cooperative, as noted by one member: *“It is hard for the extension worker to tend to all of us because she will also be needed in Chakohwa too”*. They were overburdened with work as they served more than 1200 farmers from a previous ratio of 1:400.

Findings from the focus group discussions revealed that sometimes the extension workers will be on strike due to low income payment since they were not well paid to cater for their needs, as noted by one member:

*“...They do not want to come and help you if they are on strike. They will tell you we are paid peanuts so we will do the amount of work that goes along with the pay we receive. Some of them even survive on some of the maize we give them as an appreciation for helping us”*.

This caused minimal support in terms of trainings and workshops for the cooperatives. Some organizations came in with training specialists to empower the members with skills, but this happened once in a while in some cases only twice a year. The processing and marketing cooperative had in-house trainers who were on the cooperative's payroll, therefore making it easier to conduct trainings and special workshops every month. Apart from this, other cooperatives have to resort to using their indigenous knowledge passed on to them from their forefathers or from their children who specialized in that field of work at colleges or universities.

#### *5.3.10 Farming-knowledge experience*

All the respondents chosen had been part of cooperatives for more than three years. Approximately 32 percent had been involved with the cooperatives for more than 30 years and 71percent of the respondents were above the age of thirty as the younger generation no longer cared about farming and some had migrated to urban areas in search of work and urban life. Full-time farmers constitute 89percent of the total number of respondents and the remainders were retired farmers. In most cases family labor is used however, about 11percent of respondents hired labor with the result that average amounts spent on hired labor per household are extremely low. All respondents knew old methods of farming but with climatic changes and a fast developing world with new methods of technology, one has to move with time. There was a problem with a handful of elderly members who refused to adapt to new methods of farming and resisted any new knowledge taught in training sessions, as witnessed by one member:

*“There was once an incidence which occurred where our vegetables were badly attacked by a fungus disease and an officer from GAA came and condemned us for applying excessive amounts of nitrates and not rotating the location of vegetables. He taught us control*

*measures and how to treat this fungus but some of the elderly who had been growing vegetables for a long time refused to follow these procedures and went on to do the same method they had been doing over the years”.*

As a result the farmers failed to curb this disease from spreading increasing challenges to high production.

#### **5.4 In-depth Interviews with various stakeholders**

In-depth interviews are optimal for collecting data on individual’s perspectives, particularly when sensitive topics are being explored and allows flexibility. These are ideal for this topic as cooperatives are linked with policies and the government, therefore some respondents may feel comfortable in a one on one discussion than in a group. The in-depth questionnaires were administered to different stakeholders namely extension officers, agro-dealers, field officers from different organizations, head Agritex officer (Manicaland) and an administrative worker from the Ministry of Agriculture. All these are considered external stakeholders.

##### *5.4.1 Role of external stakeholders in cooperatives*

External stakeholders bring different things in the cooperative movement. Others had been or were still part of the different organizations involved with cooperative development. Field officers are appointed by the different organizations who invest in the cooperatives. Discussions with different field officers revealed that they offered skills trainings and monitored the progress of members in the cooperatives. Financial assistance was offered in terms of donations or loans. Some organizations offer contractual agreements whereby they give members all the inputs they need and at harvest time the members have to sell to that organization at their gazetted price, for example, TSL Classic Leaf (Private) Limited company which gave contractual agreements in

growing of Virginia tobacco and provided an auction floor for the cooperatives. Some organizations issue out loans and the members have to return it with a certain percentage of interest, as stated by one officer: *“Members who wanted financial assistance would be given in form of a loan and they would have to return it with a 10percent interest value”*.

Agro-dealers were used as distributors of inputs donated by NGOs to farmers, as noted by one agro-dealer:

*“We would receive seed from Pioneer Company along with other inputs requested for by the farmers. The extension workers would notify the farmers and they would come and help us in issuing out the different inputs according to the requests made by the farmers”*.

Different companies like Pioneer, Farm and City and Seed Co would deliver the inputs paid by the organization to the agro-dealers and members would contribute 10percent of the amount. Extension officers offer their services to members in terms of trainings, consultation and internal auditing. The administrative worker in the Ministry of Agriculture also used to be an extension officer and worked with two cooperatives before. The head Agritex officer is the overseer of all extension work in the province and therefore, have been involved with cooperatives as an evaluator.

#### *5.4.2 Economic viability*

Most of the stakeholders who responded felt that cooperatives were essential in farmer development despite the current status of the cooperatives. One stated that: *“...farming is a defining characteristic of a farm; it must succeed on that basis in order to be viable thus the same with cooperatives they must succeed to ensure farmers development in the country”*. Other respondents also mentioned that the number and the expectation of the cooperatives have far

outstripped the funds available from either government or donors thus inhibiting any chances of success. Funds available at the moment are not able to sustain the current projects underway.

It is evident that withdrawal of funds by the government is hindering any progress to cooperative movement as witnessed by some extension workers; therefore, cooperatives are unable to sustain their operations on their own. Inability to generate a surplus, rooted in poor means of production and low productivity, is affecting continuity of cooperatives as they are operating with few resources. Equally damaging is the very low wages being paid to members in most cooperatives in cash or kind, combined with the absence of profit to distribute.

#### *5.4.3 Policy implications*

Approximately 86percent of the external stakeholders felt that some policies implemented by the government are detrimental to the progress of cooperatives. Such policies includes the introduction of the ESAP in 1990. Some of the respondents felt that ESAP came as a result of the lame economy that the new government inherited and the inappropriate economic policies adopted at independence. One respondent stated that: *“The government had to rationalize expenditure and level of investment dropped because they lacked incentives to woo investors”*. Another respondent indicated that the government had been borrowing on the market to finance unproductive expenditure. This translated into reduced support for cooperatives leading to the collapse of others and some operates at very low capacity. One extension worker noted that:

*“Some of us were retrenched and this overburdened the remaining ones because we are now doing double or triple of the normal capacity than what we should be carrying”*.

These ESAP effects also forced communal and resettled cooperative members to travel long distances to source agricultural inputs and increased transaction costs forced most cooperatives

to reduce the quantity of inputs they purchase. Other external stakeholders mentioned that policies should be put in place which help in guiding farmers on what to do and make sure they are enforced. Also there is minimal action by bodies which enforce laws and policies. The Ministry of Agriculture should formulate policies that help in strategic areas in cooperative development, for example, economic policies which favor local products more than imported ones and ensure quality productions which help us boost our image on the world markets. One respondent stated that:

*“...a vibrant agricultural sector is reliant on solid state support- to provide basic infrastructure, extension support and public research. Following land reform in 2000, there has been vanishingly little support from government, donors or others. Where subsidies have been offered they have often been misused”.*

The policies present do not focus on the importance of newly emerging forms of cooperative capitalization, as part of a socially and economically differentiated strategy to sustainability.

#### *5.4.4 Extension and training*

Extension support is important for a vibrant agricultural sector. One extension officer noted that: *“Some members resist advice we advocate because they feel that maybe we recommend what we think rather than what concerns them”*. Some officers who had been part of the government since independence felt that extension services at independence were not properly organized to meet the needs of all the cooperatives as there was shortage of labor and they were not properly trained to do the required work. There were two public extension systems (one for large commercial farmers and the other for smallholders), neither of which was adequately equipped to service both agricultural sectors. The two systems were unified in 1981 to form the Department

of Agriculture, Technical and Extension Services (Agritex). They provided services to the cooperatives in the resettlement areas and government financial support to extension increased. Influx of farmers and land reform programme created havoc for extension demand and they could not operate to the capacity.

According to the extension officers new farmers, without sound farming experience, require more frequent training and stronger linkage with knowledge and research systems thus old cooperatives are not getting enough extension services. Ample funding is needed so that more extension personnel can be trained. Other private stakeholders indicated that they complemented government efforts in extension services to cooperatives as they saw that government alone was not able to bring about the required extension services for all cooperatives. Some organizations mentioned that:

*“When we lend money and inputs to the members of cooperatives, we also offer extension services and allocate field officers who help in doing so. We also conduct workshops which empower members with different skills for production and marketing”.*

Of late these trainings and workshops have reduced due to financial strains and political instabilities, whereby some organizations are pulling out of the country or operating at a minimum level.

## **5.5 Conclusions**

The results shows that performances of the cooperatives understudy were not satisfactory to all concerned parties. Decrease in membership and capital are some of the evidences responsible for this. The cooperatives are failing to function efficiently and production is being affected. Some

of the factors accredited to low performance are poor governance, complexity of market environment, limited knowledge in the cooperatives' principles and institutional problems.

## **CHAPTER 6**

### **DISCUSSION**

#### **6.1 Introduction**

This chapter discusses the research findings presented in chapter five by comparing and contrasting with evidence from the literature, identifying the main conclusions from the research and applying the NIE framework to the problems faced by agricultural cooperatives. The problems identified in the study are discussed in thematic categories and outlining various propositions and lessons learnt from the study.

#### **6.2 Problems affecting sustainability of cooperatives**

##### *6.2.1 Institutional flaws*

Sustainability of cooperatives is affected by institutional flaws as revealed by the study. Membership of all the selected cooperatives was open and voluntary. Open membership indicates an external free-rider problem, which occurs when current members and non-members use resources for their individual benefit but property rights are not sufficiently well defined to ensure that current members or non-members bear the full costs of their actions and/or receive the full benefits they create emerging from literature (Cook, 1995). This opens the gate for external free-riders to receive benefits of the cooperatives, such as favorable prices, without contributing any equity explaining why the cooperatives never had an increase in equity investments. This particular problem can be eliminated by adopting the principle of exclusivity by new generation cooperatives' model structures which addresses the free-rider problem through closed membership.

Four of the cooperatives operated a one member, one vote system and this shows that all members had equal voting power. This discourages investment because voting rights are not proportional to individual equity contributions. According to Chibanda (2009), the inability of potential investors and lenders to influence the cooperative's investment decisions when voting is not proportional to individual investment leads to influence problems. Control is exercised through voting by members therefore, potential investors are faced with the prospect that their money will be invested in enterprises preferred by members who have a voting majority (for example, risk averse members) (Lyne & Collins, 2008). Investment and influence problems would be eliminated only where benefit and voting rights are allocated in proportion to individual member investment.

Only one cooperative had investors paying par value of assets but for all other cooperatives membership was free. Free membership suggests free-rider problems since the gains from cooperative action can be accessed by individuals that did not fully invest in developing gains, whether those individuals are new members or non-members as claimed by (Ortmann & King, 2007). The study also revealed that returns were not proportional to individual investment. Three of the cooperatives mentioned that profits were shared equally which poses another internal free-rider problem which according to Ortmann and King (2007), arises when members of the cooperative are rewarded for patronage even if they invest very little in the cooperative. These free-rider problems exist because property rights are untradeable, insecure, or unassigned and not sufficiently well defined and enforced that individuals bear the full cost of their actions or receive the full benefits they create (Royer, 1999). The cooperatives have property rights above the corporations, since each member has the power to interfere in the performance of the

cooperative, not proportionately to his participation in the capital but according to the “one man one vote” principle. Without properly defined and identified ownership structures, there will be under-investment (Kherallah & Kirsten, 2002) and cooperatives will remain vulnerable to these problems.

*Proposition 1: In-order to attain sustainable institutions in cooperatives there is need to divert from traditional cooperative models to new generation cooperative models which addresses the free-rider problems and ill-defined property rights through closed membership, up-front investment and voting rights proportional to individual investment. All the members will have a fair part in the cooperative by eliminating non-member business and requiring large initial investment. A final strategy is to readdress the initial membership fee, considering the amount the founding members contributed.*

### 6.2.2 Governance problems

The study identified governance as a factor that affected sustainability of cooperatives. The major issues identified as affecting member participation and their commitment towards the cooperative include poor education qualities of management and lack of transparency and accountability of financial statements and assets of the cooperatives. This is contrary to Banaszak and Beckmann (2006) claims about a competent leadership, which should be able to motivate a group of people to act towards achieving a common goal; engage the group in worthwhile communication processes; provide direction; and is transparent and accountable. The agency theory and property rights theory both points out governance problems in these cooperatives. Agency problems arise because of incompetency of management as they clash over objectives between members and management. Property rights are not properly defined, producing low

incentives to exercise control leading to low investments thereby leaving room for managers to misuse the cooperatives' assets and funds, giving them considerable power. Education is also a governance concern as it is a prerequisite for the application of good institutions. It was noted that the lack of proper understanding of financial statements due to limited skills lead to mismanagement of the cooperatives. There was lack of a professional administrator with skills and competences to run a cooperative. Findings from three of the cooperatives revealed that lack of an in-house auditor left room for corruption by some of the management. The board's lack of understanding of proper financial transactions and failure to correctly supervise the management, led to misuse of funds as also pointed out by Spear (2004) that limitations of the cooperative members to influence the behavior of managers leads to conflicts between ownership and control. According to evidence from one cooperative, management looted funds and assets resulting in decreased member participation then leading to its collapse. Leaders had lost power due to their pursuit of self-interest and gains as members would not show up for meetings thus supporting the proposition of Akwabi-Ameyaw (1997).

*Proposition 2: To reduce the agency problems and ensure good governance leading to sustainability, cooperatives should include external managers in the management team, create a payment system connected with member objectives and ensuring members have information and participate in the management of the cooperative. Also the members should only appoint members with competent skills and leadership qualities to be part of the management team.*

### *6.2.3 Performance problems*

The motivation for this study was grounded on the poor performance of agricultural cooperatives especially in rural areas where most agricultural activities take place. Members of all the

cooperatives were in agreement about the potential of the cooperatives, but were quick to express dissatisfaction with their performance so far. The study revealed that the main problems contributing to poor performance of cooperatives include poor governance, internal problems which include limited skills leading to misuse of resources, transport constraints to accessing better markets, and some members misusing cooperatives to pursue political goals. These problems are addressed fully in the other sections. From the members' perspective, performance is measured by surplus in production and skills strain. Production is dwindling and no net surplus is recorded resulting in loss of members. The failure to provide equal work effort for an equal share of profits creates a labor free-rider problem that discourages labor effort, thus concurring with Chibanda (2009) argument. This discourages the younger generation to be part of the labor force and results in underperformance of cooperatives. In most group activities where people act collectively there is an incentive for people to free-ride at the expense of others. Hence, collective action theory is applied which explains actions of members where they are interdependent so much that one person's outcome is dependent on the action of others.

*Proposition 3: Cooperatives should provide selective incentives to help overcome the free-ride problem, for example, financial rewards, material goods, solidarity in work effort and tipping decisions toward participation thereby providing private benefits enjoyed only by participants.*

#### *6.2.4 Market access problems*

The study revealed that lack of an effective marketing system affected the sustainability of cooperatives. Members of all cooperatives indicated transport constraints as their major challenge to an effective marketing system. Lack of transport facilities for the cooperatives force the members to only use local markets which results in flooding with same goods thereby

affecting prices. The cooperatives are located far from the main city, although in a less competitive environment, experiences more challenges in marketing the produce which somehow contradicts expectations coming from literature (Cook, 1995; Banaszak, 2006), that cooperatives which are located far from cities would experience less competition, and so would easily benefit from economies of scale of bulk buying and selling. The market base is limited therefore this leaves room for unscrupulous traders who manipulated the prices and buying products from members at a reduced price and hence farmers' incomes become reduced. Findings from three of the cooperatives revealed that their products were not well processed for better competitive purposes compared to the better prepared imported products flooding the markets at a lower price therefore, this also acted as a barrier for the cooperatives to enter such markets. This underscores the significance of managerial and marketing skills. The new institutional economists emphasize the potential costliness of transactions. The cooperatives are experiencing transaction costs emanating from very large distances to the market together with poor infrastructure, poor access to assets and lack of access to sources of market information to better their products.

*Proposition 4: Cooperatives need to discover who the buyers and sellers are with help from the Ministry of Agriculture, and conduct negotiations to undertake contract farming and value-chain addition. Contract farming creates a way to link smallholder farmers to high-value markets, ensuring greater coordination of quantity and quality of supply. The farmers benefit from access to transport, technological information, extension services provided by traders and immediate outlet for their produce. The NIE provides a useful framework with aspects such as contract theory and agency relationships which are useful in analyzing and addressing the problems that*

*could constrain or lead to breakdown of contractual relations and also analyze the relationships between the farmers and contractor to ensure sustainability.*

#### *6.2.5 Managerial skills*

Inadequate managerial skills contribute to poor performance of cooperatives. The agency theory is a fruitful method for modeling cooperative managerial skills as it helps to identify the various relationships that exists between members and management's skills and abilities as actions by management gets transformed into the output whether they serve in the best interests of members or not. By clarifying these issues, efficiency, effectiveness and accountability will be increased. Findings from the study revealed that there was lack of managerial experience and professionalism. According to Ortmann and King (2007) access to necessary skills for members and education of management are expected to have positive implications for the ability of members to improve overall performance of their cooperative. Thus the unqualified managers had limited abilities to implement good business development strategies and would see the cooperatives maximizing profits. Instead, the managers gained experience on the job and their lack of skills was evident in the poor performance of the cooperatives. This finding is consistent with the observation by Kneeling, *et al* (2004) that lack of managerial skills contributed to the failure of the California Rice Growers Association. The complex marketing environment that was present at the time of the study also complicates the challenges for the unqualified cooperative management. The level of managerial skills affects the sustainability of cooperatives.

*Proposition 5: There is need for an independent body represented on the management team helping with monitoring the cooperatives' management, through checking on their plans,*

*conducting trainings and audits, and giving advice on the most suitable strategies. This may come from an independent apex cooperative administration agency in the country ideally established by all the cooperatives. The management positions should be allocated to competent leaders who have the rightful qualifications.*

#### *6.2.6 Financial support*

Cooperatives need financial support as it is necessary for empowerment before they can become independent. All cooperatives received financial support from aid agencies. This financial support also created dependency of cooperatives on outside help, thus affecting self-reliance and financial stability. The portfolio problem refers to the fact that members cannot buy and sell shares in a cooperative to match their risk preference which can contribute more capital and financial stability. The portfolio theory provides a useful framework to financial problems. Findings from members of three of the cooperatives revealed that when financial support was pulled out the cooperatives struggled to function efficiently. As argued by Chirwa *et al* (2005) this financial support may have lacked a sensible exit strategy that would have left the cooperatives at a level where they were sufficiently equipped and skilled to manage the cooperative. This finding is also consistent with what Akwabi-Ameyaw, (1997), claimed that any programs that perpetuate dependency are contrary to sustainable efforts and this contributes to cooperative failure. The provision of government subsidized assets and funding, lead to adverse selection and free riding problems.

*Proposition 6: Portfolio problems can be minimized through risk management strategies and strategic planning. With the withdrawal of funds cooperatives are likely to fail as witnessed by collapse of other cooperatives; therefore members have a responsibility to safeguard their*

*member's equity. This might be done by considering what types of new ventures are appropriate for the cooperatives e.g. investor owned cooperative models because stock is publically traded in this model which raises funds, or new generation cooperative models which have tradable stock also raising capital.*

#### *6.2.7 Policy implications*

Policies are set by the government and some policies have negative impact on the cooperatives existence and sustainability. The study revealed that the implementation of the Economic Structural Adjustment Program (ESAP) was detrimental to the existence of cooperatives. This policy resulted in reduced financial support to cooperatives and resulted in three of the cooperatives to function at a minimal level and aided in collapse of one of the cooperative. Government funding reduced and thus some extension workers were retrenched and the remaining service workers became overburdened and trainings reduced. The findings indicate that the economic policies present are negatively impacting the competitiveness and market access of the cooperatives, example the pricing policy whereby government set higher prices than what is offered on the market. Cooperatives were forced to buy at higher prices than their competitors and this contributed to cooperatives' failure to competitively market their produce and compete with the imported products on the markets which are of high quality and lower price, supporting Chirwa's (2007) argument that price control if not well enforced put the organizations at a disadvantage against external traders. The pricing policy also disadvantages the faraway cooperatives since they have to incur additional transaction costs for transport to markets. The government lacked an efficient monitoring system that can help point out these problems as a result ended up harming the organization it had intended to help. The policies

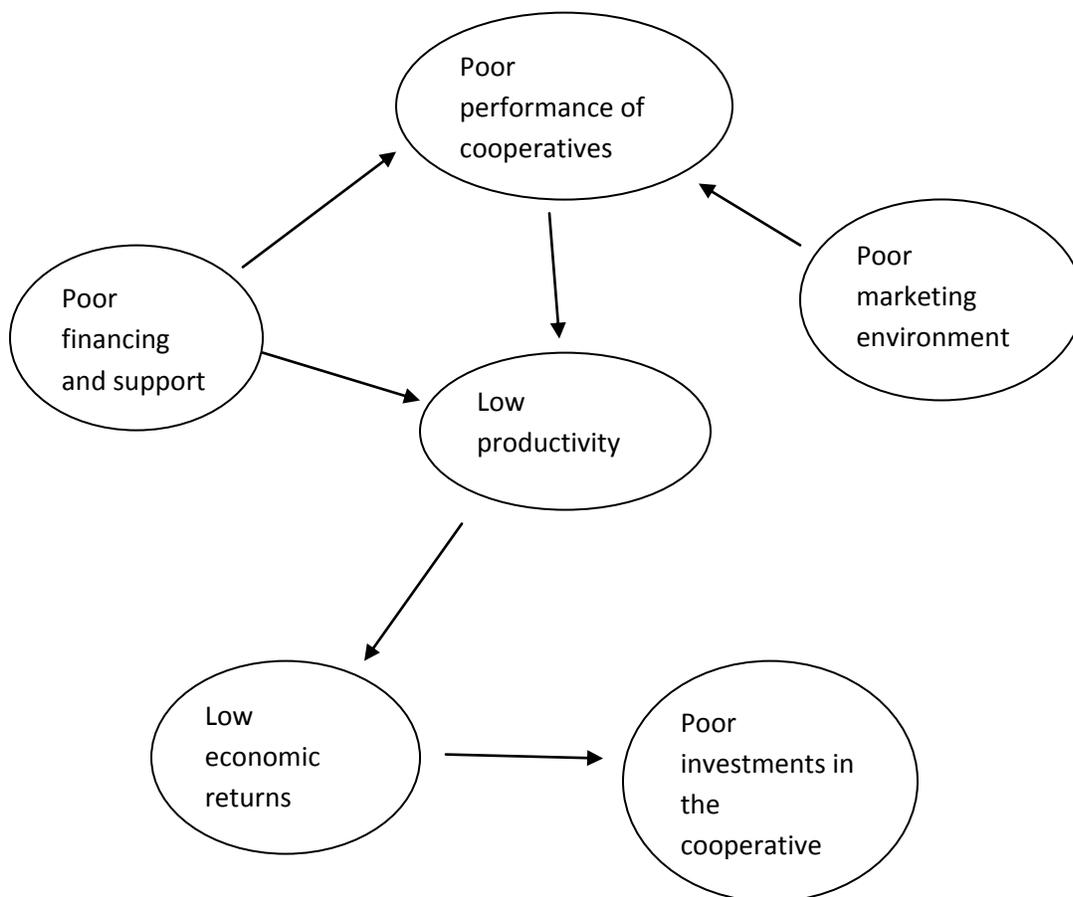
present do not focus on the importance of a new group of emergent farmers, as part of a socially and economically differentiated rural population.

*Proposition 7: A research board should be formed by the Ministry of Agriculture which takes a new look at the role of public policies and market governance at a national level in supporting sustainable development of cooperatives. Key element of the research will be the examination of policy elements that are in favor of either small or large scale farming cooperatives. Government should correct price distortions in real and financial markets and making investments in marketing infrastructure, irrigation, research and extension. A regulatory and public support body should be introduced which strictly enforce policies made by the government.*

#### *6.2.8 Economic viability*

Majority of cooperative members are experiencing low productivity due to rise in costs and scarcity of financial support, thereby leaving them with low economic returns. Transaction costs economics gives insight to economic viability as members are facing transaction costs. Cooperatives are intended to help reduce costs for their members, provide access to markets and financial support (Banaszak, 2006; Chirwa, *et al*, 2005) which the cooperatives have failed to meet. The reduction of government funding has led to low business volumes contributing to a poor influence in the market, resulting in poor returns. The cooperatives are left to depend on small traders as their market source, resulting in poor returns leading to poor investments. Poor investments are also due to loss in membership and high poverty levels making the cooperatives not creditworthy in the eyes of private investors: hence the cooperatives are constrained to raising their capital through government donations and social grants (which are scarce of late).

Another problem is that the cooperatives do not have any linkages with other cooperatives. This could have been a great advantage in guarantying and building a position in the market thus controlling a large share of product supply. Thus supporting Banaszak's study (as cited in Sexton & Iskow, 1988) where he highlighted that in order to increase farm prices, one should target increasing product prices at the retail level, which can be accomplished by restricting the flow of farm produce to the market or improving the quality of the finished product. The transaction cost economics approach, focuses on how the characteristics of a transaction affect the costs of handling the product through markets thereby ascertaining its viability. Figure 6.1 below presents the cycle of cooperatives' performance trap:



**Figure 6.1: Cooperatives' performance trap**

Source: Field work data

The cooperatives in this study are experiencing this performance trap due to weak economic viability.

*Proposition 8: There is need for cooperatives to seek buyers who offer contractual agreements whereby a trader contracts with a farmer to provide all required inputs on credit, technological information and extension services, in-turn the farmers produce specified quantity and quality of produce at an agreed fixed price. This reduces risk of being caught up in the performance trap as it guarantees source of supply (finance and support) and ensures an immediate market for the produce which gives steady returns leading to investments.*

#### *6.2.9 Extension and training*

Extension support is essential for sustainability of cooperatives. Extension services were introduced by the government as a way to boost up the smallholder sector and workers are funded for by the government. Extension services ensure members of cooperatives are empowered with knowledge from trainings and are well versed with new developments in other areas. However, the study revealed that current extension workers are being burdened by the workload present because they are few. This is due to the reduced farmer support by the government due to structural adjustment programmes as cited by Mahove (2002). Therefore they are not able to cater for all the needs of all cooperatives thus resulting in a few trainings which are not able to fully empower the farmers. Strikes were also eminent by the extension workers which resulted in trainings being halted. Also influx of farmers and land reform programme created havoc for extension demand and they could not operate to the capacity. Other stakeholders used to bring in support and allocate field officers to help with extension work but withdrew their support later due to financial strains and political instabilities which left the

cooperatives at a level, where they were not sufficiently equipped and skilled to manage their cooperatives as argued by Chirwa *et al* (2005). Discussions with different stakeholders revealed that reduced extension support has a negative role in the sustainability of cooperatives. It affects development of cooperatives as the members would not have proper trainings to equip them with professional, technical and management skills for the development of their cooperatives.

*Proposition 9: Cooperative extension services department should collaborate with other organizations and independent government agencies to deliver services to cooperatives. This increases manpower and generate income through donor agencies e.g. NGOs which give funding for the development of cooperatives. The level of smallholder support will increase to an acceptable extension worker/farmer ratio of 1:300-500 serviced by a “committed to work” extension worker (Zwane, 2009).*

#### *6.2.10 Social acceptability*

The study revealed that the interests of the members differ. More than 80percent of respondents were satisfied with the existence of cooperatives and their goals whilst the remainder reserved their disappointments. According to Pischke and Rouse (2004), harmonizing members’ interests and the cooperatives’ interests is the key to effective capitalization. If there are dissatisfied members the morale of the cooperative is compromised and this negatively affects the cooperative. This might lead to loss of membership and discourage new membership. Discussions with the members of cooperatives revealed that almost all farmers in the area were part of or had been once a member of a cooperative as they were seen as agents of development.

*Proposition 10: Social acceptability can be improved through adopting sustainable innovation processes mentioned in other sections. However, members are cautious about which innovation*

*to adopt based on risk factor and resource availability therefore, they need a case that have been proved successful and reliable in order for them to accept the existence of cooperatives. Some believe 'seeing-is-believing' therefore, field trips to other successful cooperatives in other provinces or neighboring countries should be organized for them to accept sustainable innovations recommended to them thereby ensuring social acceptability. Education is required to transform mentalities at all levels.*

#### *6.2.11 Farming knowledge experience*

The findings revealed that majority of the farmers grew up in a family which was involved in agriculture production thus they had knowledge on farming. Although this was the case, there are climatic changes and new methods of technology in the world. Due to reduced extension support these new methods were translated on a slow pace and this affected development of the cooperatives. Also the elderly refused to adapt to new methods as they believe their old methods were essential and effective but this left them vulnerable in the market of their products to external markets because of the low quality of the finished product. This also indicates portfolio problems where there are differences in preferences between members. Usually, the younger generation easily adapt to changes in technology whilst the older generation prefer to stick to their old ways of farming.

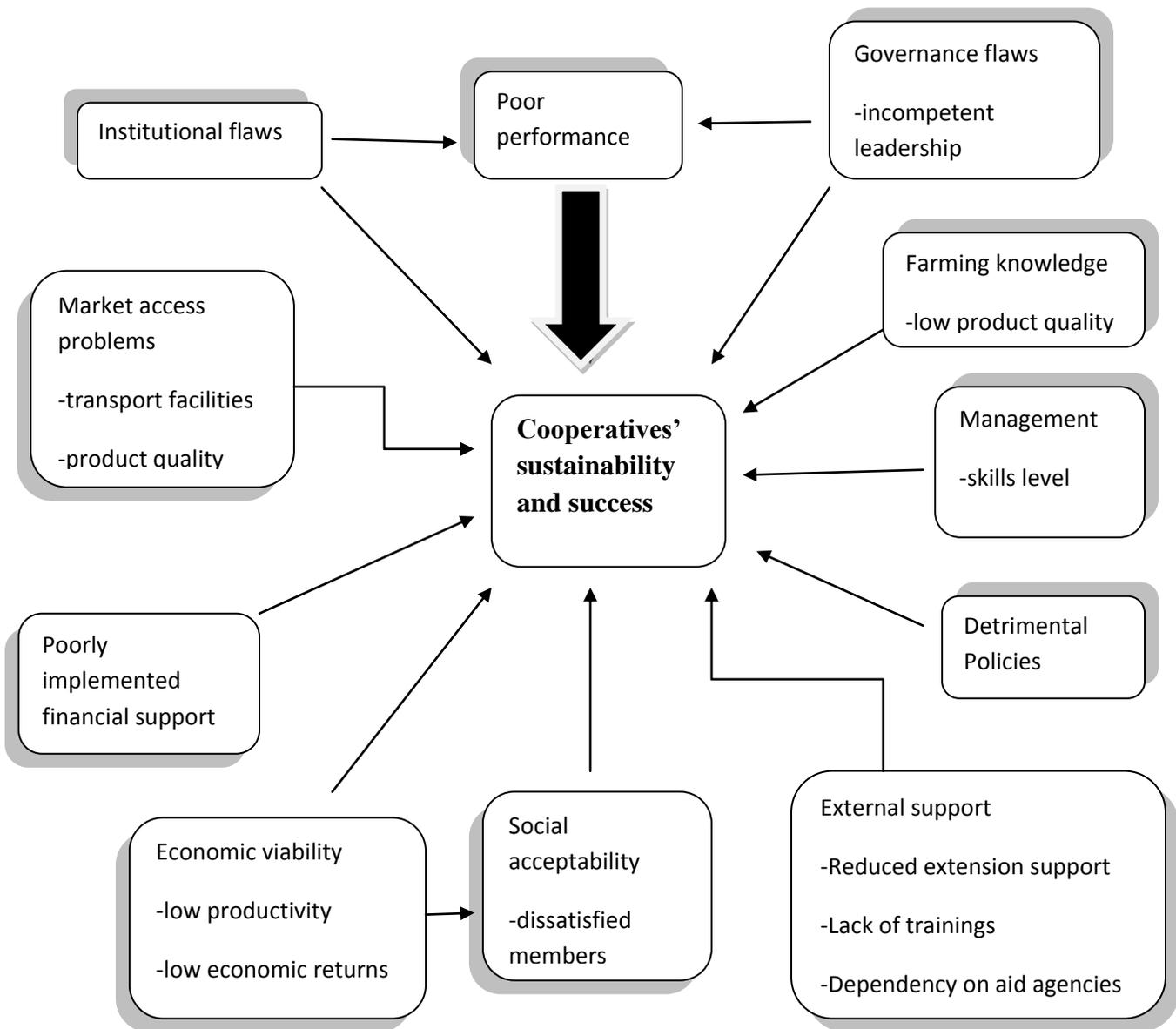
*Proposition 11: Active communication can help minimize portfolio problems. Communicating where the cooperative is headed and how the new technology works, helps to give members the big picture. A diversified management structure with both the young generation who have qualified experiences of cooperatives and elderly generation can help motivate understanding of new ideas and members learn from each other.*

### 6.2.12 Influence of External stakeholders

Evidence from the study revealed that external stakeholders had both a positive and negative role in the sustainability of cooperatives. On a positive side they invest in cooperative development in terms of funds, loans, skills trainers, inputs and monitoring progress of the cooperatives for efficient operations. However, they create a dependency syndrome whereby farmers entirely depend on this external support and create problems when it is pulled out, supporting Chirwa *et al's* (2005) argument that the external support lacks a sensible exit strategy that would have left the cooperatives at a level, where they were sufficiently equipped and skilled to manage the organization. The cooperatives when in crisis always expect aid agencies to bail them out and this hampers self-reliance. This finding is consistent with Akwabi-Ameyaw's (1997) claim that any program that perpetuate dependency is contrary to sustainable efforts and this contributed to cooperatives failure in Zimbabwe.

*Proposition 12: Sustainable development can be achieved if the stakeholders and members create a so-called win-win solution, for examples, the stakeholders can donate funds in terms of contractual agreements whereby they get a return on investments so as to motivate and ensure effective and efficient production. This minimizes the dependency syndrome and free-rider problems as they know they have to be productive in order to attain any funding.*

The following Figure 6.2 presents a summary of the problems affecting sustainability of cooperatives which includes institutional flaws and challenges in market access, due to transport problems and poor product quality. The cooperatives have poor governance structures and management is lacking in good quality skills.



**Figure 6.2: Problems affecting sustainability of cooperatives**

Source: Field work data

There is mismanagement by leaders due to lack of proper training. The cooperatives are not economically viable leading to dissatisfaction of members because they cannot support their families with the proceeds they are getting. There is reduced extension support because extension

workers available are too few to give full attention to every member. Also the government policies present are detrimental to the existence of cooperatives.

### **6.3 Conclusion**

In this chapter research findings have been compared and contrasted with the literature. The study indicated both positive and negative factors that contributed to the success and failure of the cooperatives under study. One of the factors includes institutional flaws that exist/existed which lead to poor performance of the cooperatives. Other factors include governance issues, poor marketing environment, managerial skills, and reduced extension support, dissatisfaction of members, low economic viability and lack of financial support among others. These factors are consistent in what has been stated in previous literature. Addressing these factors with the help of the NIE framework helped in providing twelve propositions which would help the cooperatives advance to a stage which is more beneficial to its members and hence increasing the sustainability of cooperatives.

## CHAPTER 7

### CONCLUSIONS AND RECOMMENDATIONS

#### 7.1 Summary and conclusions

Cooperative history is traced back to more than 160 years where their origins are dated around the late 18<sup>th</sup> and early 19<sup>th</sup> century (Zimbelman, 2007). Cooperatives have significant impact on economic development because they have the incentives such as improving the viability of business activities of their members, benefits of economies of scale and enhancing incomes. Smallholder cooperatives can be instrumental in creating self-employment opportunities, salaried jobs and promoting human welfare (Schwettmann, 1997).

In Zimbabwe, cooperatives were introduced in the 1930s according to the British-Indian pattern of cooperation and accompanied by a special Cooperative Act and the establishment of an implementing agency i.e. the Registrar of Cooperatives. The colonial powers introduced cooperatives as a strategic tool to allow people to be grouped together and goods to be collected for export. In 1981 the new independent government deemed the existing Cooperative Act to be unsuitable for the overall development of cooperatives in the country because it favored large commercial agricultural cooperatives. The government increased agricultural investment levels targeting smallholder farmers also setting up cooperatives in all the 57 districts of the country. The government aimed at providing an environment conducive for cooperative development and promotes greater participation of smallholder farmers as 70 percent of the agricultural sector in Zimbabwe comprises of smallholder-farming sector. With the introduction of the Economic Structural Adjustment Programme (ESAP) in 1990, the government had to rationalize its expenditure and this greatly affected the cooperative industry. The level of investment dropped

and this translated into reduced support for the agricultural cooperatives and most of the cooperatives collapsed and a few remained operating at a very low capacity.

In the 1992 paper on the Impact of Economic Structural Adjustment Programme (ESAP) in Zimbabwe, there were estimated to be about 600 collective cooperatives engaged in agriculture. According to an Agent programme instigated by CARE Zimbabwe, investment in agriculture sector dropped from 4,3percent over the pre-ESAP period to an average of 3,2percent over the 1990-2000 period, this translated into reduced support of cooperatives and over 90percent of the cooperatives collapsed or remained operating at a very low capacity (Timba, 1992). Despite these statistics it is difficult to ascertain the actual number of active and thriving registered cooperatives as of today because not much effort is being devoted to keeping the cooperative movement alive. Most of the cooperatives are no longer operating at all and the few that are still in operation are not performing to their fullest potentials. Some of the contributory factors have been associated with poor financial and institutional support; lack of cooperation between cooperative members; reduced support in terms of mentorship, monitoring and evaluation programmes; and lack of broader markets (Lyne & Collins, 2008).

Former studies on cooperatives underperformance and collapse in Zimbabwe suggest that there is lack of proper education in clearly understanding the purpose and functions of cooperatives. Members do not have clear understanding on how cooperatives should be operated and what members' rights are. Other studies have suggested that poor performance of cooperatives is due to lack of understanding of membership roles and value; failure of members participation in decision making; and lack of innovation among members (Osterberg & Nilsson, 2009). In

addition, weak institutions and governance structures which fail to represent members' interests instead seek individual gain and power; lack of strong forces which stand up against corruption and dismiss underperforming management; inability of cooperatives to be financially stable and keep adequate input stock.

The study presents an overview of the factors affecting the sustainability of cooperatives and reasons responsible for the collapse of some cooperatives using 5 selected cooperatives in Manicaland province of Zimbabwe as case study. The major aim of this study was to devise a suitable model with strategies that can be used to resuscitate cooperatives and make sure future cooperatives in Zimbabwe remain a growing entity. The study determines the strategies to use, to fully exploit the potentials of cooperatives and also provide foundational knowledge on key aspects that should be viewed in operation and structure of agricultural cooperatives to avoid their malfunctioning and boost the once vibrant sector.

The New Institutional Economics (NIE) framework considers that institutions have an influence on individual and firm behavior and, therefore, on outcomes such as economic performance, efficiency, economic growth and development (Kherrallah & Kirsten, 2002). The basic idea of NIE is that the success of a market system depends upon the institutions to facilitate efficient private transactions. The recognition of institutions as important determinants of economic efficiency has created the basis for several applications of NIE to cooperatives. Traditional cooperatives are fraught with institutional problems such as free-rider, horizon, portfolio, control and influence-cost problems. The nature and extent of these problems in any setting is a function of the institutional arrangements as reflected in an organization's constitution.

Five cooperatives were selected in Chimanimani and Mutasa districts with the assistance of extension officers in the district. The survey was conducted from June to August 2013. Four of the cooperatives were producer cooperatives and the other one was a processing and marketing cooperative. Three of the cooperatives were drawn from Chimanimani district and two from Mutasa district. A qualitative research methodology was used, with focus group discussions and in-depth interviews for data collection. Participants included members of cooperatives, Agritex officers, field officers from different organizations and management of cooperatives.

The research identified several challenges that affected the sustainability of cooperatives. The results from the focus group discussions suggest that majority of respondents do not fully understand the cooperative principle and have high expectations of possible benefits. Possibly due to the fact that some members joined cooperatives in order to access government funding and achieve some political objectives. Participants highlighted lack of skilled management, poor institutional and governance structures as the main problems affecting cooperatives. Other problems include marketing environment in which they are operating which is more complex than their capabilities and transport accessibility, economic and social viability, government policies, financial instability, and external services. Results from the in-depth interviews suggest that the performance of the cooperatives was influenced by complexity of market environment and poor policy structures. These challenges are consistent with what has been stated in the literature.

In order to promote good institutions and governance, there should be modest revisions of the principles according to the type and level of cooperative. A cooperative management training

programme is needed which should qualify elected cooperative leaders and personnel for their management functions. Cooperatives should be promoted as self-help organizations implying that it is formed by its members without any external interference or assistance. Donors should be there only to assist in technical matters. Cooperatives should encourage savings and credit unions among its members and the mobilized savings to be administered as loans, as a source of sustainable finance. Member equity involvement is an essential ingredient in cooperative democracy and participation.

The government needs more design and constant review of cooperative development policies guided by the members including investing in research effort which indicate important elements to direct what should be established for an effective development policy. A follow up program is needed that provides long term assistance for the policies implemented. For economic viability cooperatives must develop new forms of democratic management which require the constant education and training of members so that they won't be dependent on external funding, which also links to social success. A market oriented restructuring process is essential where cooperatives initiate partnerships which offer inputs with a set of price, payment and credit conditions, advertisement, promotion, transport, field demonstrations and technical assistance also invest in processing facilities and brand marks, for value addition of products thereby improving member competitiveness with lower operational costs and higher quality thereby improving their market status.

The study revealed certain concerns about the existence of cooperatives. The general consensus from participants of all the five cooperatives in the study was that sustainability of the cooperatives is compromised. They are all at the brink of collapsing as member participation continues to decrease including the funds. All members interviewed at one point were satisfied

with the idea of having a cooperative but as of now they have some reservations on their survival. The cooperatives are poorly performing and rely on aid agencies for their sustainability. Results from the interviews done suggest that sustainability of cooperatives is affected by different problems which have been highlighted.

Institutional problems affect sustainability of cooperatives as they stem from poorly defined property rights in traditional cooperatives as seen in four of the selected cooperatives. They rely on government and other aid agencies' funding which leads to mismanagement of funds. This could be attributed to a spirit of dependency on outside help and members expect government/aid agencies would bail them out when in trouble. Returns are not proportional to individual investment which discourage investments and saw to constant loss of members. Shares are non-transferable and non-appreciable creating a disincentive for members to invest leading to poor investments. Poor investments result in low business capacity which hinders the cooperatives from benefiting from economies of scale as they fail to meet buyers required quantities. The scenario is worsened by the fact that the cooperatives understudy work in isolation without any linkage to other cooperatives as a result they get low returns.

Another problem is in the governance structure of the cooperatives. The findings indicate a strong link with low level of management skills and low education levels as most leaders had very little education. Good governance of cooperatives is characterized by transparency, accountability, responsibility and social responsibility. The selfish attitudes of some leaders in one cooperative were evidenced by the theft of cooperative's money and assets. The absence of a

consistent audit also allows room for these unscrupulous leaders to take advantage of the resources of the cooperatives.

The study revealed that all the studied cooperatives are facing transport challenges, most to a greater extent. All the cooperatives are located far away from the big cities which serve as major markets. This problem hinders their access to the market and market information. Market information reveals current trend in production and what products will be on demand. As a result cooperatives have limited influence in the markets and face market failure situation whereby they are not able to compete with better prepared and resourceful traders. It was also perceived that their produce was not well processed for better competitive purposes.

The research also indicated that the provision of extension services was beneficial to the members but failed to successfully provide an exit strategy for the farmers if withdrawn. The members were too much reliant on these extension services that when the government withdrew funds for the extension workers and retrenched most of them there was a drop in production. The dependency on aid agencies is also detrimental to the sustainability of cooperatives. Performance is affected when the aid ceases.

Results from the study show that growth of the cooperatives is limited. This is due to unqualified managers taking over and being trained on the job which limit abilities to develop and come up with great business strategies. Another factor that affects growth is low economic returns. With the scarcity of funds, members are operating only on projected revenues which are not enough

and thus low productivity. Low productivity results in low returns which gives no room for growth and expansion.

The study also indicates that poorly implemented government policies contributed to failure. Policies such as the ESAP and land reform program were detrimental to the success of cooperatives. Policies which help in guiding farmers on developing their current projects should be formulated and enforced. Also there is minimal action by law enforcement agencies. The policies present do not focus on the importance of a new group of emergent or middle farmers, as part of a socially and economically differentiated rural population.

All these challenges identified need to be addressed to enhance sustainability of cooperatives. They still need support as they lack the capacity and capability to be efficient and effective in offering competitive services to its members and reducing poverty. Cooperatives are still perceived as agents that contribute to global socio-economic development.

### **7.3 Recommendations**

In order for resuscitated cooperatives to be effective and efficient for survival, sustainable strategies need to be found to address the problems identified. Recommendations are provided based on the findings from the study and literature reviewed, to promote success and sustainability:

1. The cooperative movement should establish a cooperative management training programme which should qualify elected cooperative leaders and personnel for their management functions. This programme should be integrated into universities' curriculum or any other institutions. Cooperative trainings should be inclusive of all

members so that they are also empowered to hold their leaders accountable. Training should cover business skills, accounting, and raising more investment capital from internal and member sources rather than counting on external sources. All managers present will have to be reconfirmed by the membership.

2. Training conducted by extension officers will be more effective if it places more stress on improving business efficiency and member services and if trainees have a say in determining the content of programmes, and in assessing trainers. Traditional non-formal and more participatory methods of education are more effective means of getting the message across than formal methods which illiterate members find difficult to follow and absorb.
3. Cooperatives should be promoted as self-help organizations implying that it is formed by its members without any external interference or assistance. It has been revealed by the study that most cooperatives have been initiated by the government or NGOs creating opportunistic cooperatives that collapse as soon as external funding ends. Donors can support the formation of cooperatives by providing seed capital and any other external funding should be phased out over a limited period. Donors are recommended to design a business advisory unit for cooperative organizations which provides technical assistance without interfering into the decision making process. The service should focus on capacity building and human resource development.
4. Credit policy should concentrate on savings mobilization, with minimal reliance on external sources. Therefore, cooperatives should encourage savings and credit unions among its members whereby they contribute a certain percentage of their earnings and

the mobilized savings are administered as loans to agricultural cooperatives. This could provide them with an affordable source of finance.

5. Adaptation to new a mind-set by fine tuning traditional models using a revised voting structure whereby, voting rights should be made in proportional to investment and patronage. Members should receive full benefits according to their investment. Members can manage their funds and base capital by using a proactive balance sheet management.
6. The government needs more design and constant review of cooperative development policies guided by the members', for example, economic policies which favor local products more than imported ones and ensure quality productions which will help us boost our image on the world markets.
7. The government should invest in research effort by implication of a public research policy. The research themes indicate important elements to direct what should be established for an effective development policy. Also needed is a follow up program that provides longer term assistance for the policies implemented. Donors should provide technical assistance to cooperatives in such areas of policy and legislation by providing instruments such as policy manual, legal checklist and legal expertise. Another important policy agenda for the sustainability of agricultural cooperatives is the promotion of up-front subscription, return on investments and credit systems. Such policies will not allow free riding and will get the members the right incentives to sustain the cooperative enterprise.
8. In order to struggle for economic viability cooperatives must develop new forms of democratic management which require the constant education and training of members so that they will not be dependent on external funding. A positive perspective of members

can begin serious work of their development. Ensuring economic viability automatically links social success.

9. A market oriented restructuring process is essential. Agricultural cooperatives need initiatives of partnerships which offer inputs with a set of price, payment and credit conditions, advertisement, promotion, transport, field demonstrations and technical assistance. Cooperatives can also use horizontal coordination, in order to increase their bargaining power and social networks. Use of social networks capital would help cooperatives gain access to markets and market information. The cooperatives should invest in processing facilities and brand marks, for value addition of products. These strategies are concerned to improve member competitiveness with lower operational costs and higher quality thereby improving their market status, competitiveness and sustainability.

#### **7.4 Further research**

The study helped in identifying problems affecting the sustainability of agricultural cooperatives. Further research is required to test the findings over a longer period of time using a larger sample and area. Considering the economic situation of Zimbabwe at the moment, other countries may be different from that which the cooperatives in Zimbabwe are facing. Further research could test the extent of the factors identified in affecting sustainability of cooperatives.

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## APPENDICES

### Appendix 1- Principles of cooperatives

<b>Principle</b>	<b>Role</b>
Voluntary and open membership	Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
Democratic member control	Cooperatives are democratic organizations controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights by virtue of the “one member, one vote” rule; cooperatives at other levels are also organized in a democratic manner.
Member economic participation	Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited

	<p>compensation, if any, on capital subscribed as a condition of membership.</p> <p>Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; rewarding members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.</p>
Autonomy and independence	<p>Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.</p>
Education, training and information	<p>Cooperatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their cooperatives. They inform the general</p>

	public, particularly young people and opinion leaders, about the nature and benefits of cooperation.
Cooperation among cooperatives	Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
Concern for community	Cooperatives work for the sustainable development of their communities through policies approved by their members.

Sources: Tchami (2007); ICA (2005); Chibanda (2009)

**Appendix 2: Survey Questionnaire**

FACULTY OF AGRICULTURE & NATURAL RESOURCES

DEPARTMENT OF AGRICULTURAL ECONOMICS

Date: 13 May 2013

Dear Sir/ Madam

I am an agribusiness postgraduate student at the University of Namibia in the Faculty of Agriculture. I am conducting a research on the following topic; “Sustainable solutions to the resuscitation of agricultural cooperatives in Zimbabwe: A case study of Manicaland province.”

The study determines the strategies to fully exploit the potentials of cooperatives. It will provide a foundational knowledge on key aspects that should be viewed in the operation and structure of agricultural cooperatives to avoid their malfunctioning and boost the once vibrant sector.

A random selection criterion has been used and you have been one of those selected to ask to participate by answering the enclosed questionnaire. The questionnaire with instructions as to how they are to be completed has been included with this letter in the hopes that you will agree to participate. Participation will require approximately 15 minutes of your time to answer the questionnaire. Please find attached here a consent form that explains your rights in this study.

Thank you for your cooperation.

Lorraine Charinda  
Researcher

Contact number: +263773584815 / +264817939510

## SURVEY QUESTIONNAIRE

*Kindly indicate your response by putting an 'X' in the appropriate space(s).*

### SECTION A: BIOGRAPHICAL INFORMATION

<b>1. Gender</b>	
i. Male	
ii. Female	
<b>2. What is your age range</b>	
i. 15 – 20	
ii. 21 – 30	
iii. 31 – 40	
iv. Over 40 years	
<b>3. What is your highest academic qualification?</b>	
i. Primary level	
ii. Ordinary level	
iii. Advanced level	
iv. Certificate level	
v. Diploma	
vi. Degree	
vii. Master's degree	
viii. PHD	
ix. Other(please specify)	
<b>4. What are your monthly earnings from current source of income?</b>	
i. Less than US\$100	

ii. US\$101 – US\$500	
iii. US\$501 - US\$1000	
iv. US\$1001- US\$1500	
v. US\$1501 – US\$2000	
vi. Over US\$2000	
<b>5. How many persons live in your household?</b>	
i. Only myself	
ii. 1-2 persons	
iii. 3-4 persons	
iv. 5-6 persons	
v. Above 6 persons	

**SECTION B: COOPERATIVE RELATED INFORMATION**

<b>6. Have you ever been or are currently associated with any agricultural cooperative organization?</b>	
a) Yes	
b) No	
<b>7. If yes to question 6, what kind of cooperative organization?</b>	
a) Producer cooperatives	
b) Marketing cooperatives	
c) Supply cooperatives	
d) Credit cooperatives	
e) Other (State which one).	
<b>8. Did you belong to more than one type of cooperative?</b>	
a) Yes (state which ones)	

b) No	
<b>9. Which position did you hold in the cooperative organization?</b> a) Ordinary member b) Chairperson c) Treasurer d) Secretary e) Other (specify)	
<b>10. How long have you been involved in the cooperative organization?</b>	
a) Less than a year	
b) At most 2 years	
c) At most 3 years	
d) Above 3 years	
<b>11. What benefits can you attribute to the existence of cooperatives to its members?</b>	
<b>12. Are you currently a member of any cooperative organization?</b>	
a) Yes	
b) No If no why not?	
<b>13. What do you think is lacking to ensure development of agricultural cooperatives in the area? Multiple responses allowed. Also rank your responses on a scale of 0 – 5 with 5 being very important and zero less important in the boxes to the right.</b>	
a) Lack of commitment of members	
b) Lack of funds for operations	
c) Lack of support from the government and other institutions	
d) Lack of important knowledge on how to ensure development	
e) Other Note: State your reason why if you chose other	

<b>14.</b> Agricultural cooperatives were/are central in farmer development? Please support your position.	
a) Agree	
b) Disagree	

**Thank you for your time and participation.**

### Appendix 3: Focus Group Discussions checklist



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DEPARTMENT OF AGRICULTURAL ECONOMICS

#### Focus group questionnaire

1. What kind(s) of cooperative organization were you or are you part of and when was it formed?
2. Who started it and the reasons it was formed?
3. How many members were there when it started and how many are there now?
4. What was/is the structure like and the duties involved?
5. Which skills/requirements are/were needed for one to qualify to be a member?
6. What are the benefits that you can attribute to your cooperative as members?
7. What were the greatest accomplishment(s) that you achieved as a cooperative?
8. What are the challenges and problems you have faced/faces as a cooperative?
9. Have you ever had conflicts within the organization? What were the issues concerned?
10. How do you enlist the help of other organizations or stakeholders?
11. How do you work with them?
12. What challenges have you faced whilst working with them?
13. What do you feel about the level of activity from when you started compared to now or up to the time your cooperative collapsed?
14. What the effects did you encounter in your cooperative from 1992-2002?

15. In your opinion what needs to be done for the development of cooperatives?

## Appendix 4: In-depth interview questionnaire checklist



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### IN-DEPTH INTERVIEW QUESTIONS

1. When and how did you become involved with agricultural cooperatives?
2. How do your organization/services help cooperatives?
3. What barriers do you face when dealing with the different cooperatives?
4. What do you think is lacking to ensure development of agricultural cooperatives?
5. In your own view, how could government policies better the existence of cooperatives?
6. How does your organization use its services to better the livelihood of cooperatives?
7. Are you aware of any challenges that are being faced by member cooperatives?
8. What do you feel about the level of activity between the periods of 1992-2002?
9. Are you aware of any policies implemented that might have affected the operations of cooperatives during that period? What are they and in what way did they affect?
10. Given your experience with working with cooperatives, how do you think they should be operated? What can be done to make sure they are well developed?

Note: Please indicate dates and years involved

## Appendix 5: Research Permission Letter from UNAM



**UNIVERSITY OF NAMIBIA**

**DEPARTMENT OF AGRICULTURAL ECONOMICS**

**FACULTY OF AGRICULTURE AND NATURAL RESOURCES**

Private Bag 5520, Oshakati, Namibia

Tel №: + (264) 65 2235000

Fax №: + (264) 65 2235294

6th May, 2013

**TO WHOM IT MAY CONCERN**

Dear Sir / Madam

This serves to certify that Ms Lorraine Charinda, a part-time student registered with the University of Namibia (UNAM) will be conducting a study in MANICALAND PROVINCE, looking at the **Sustainable solutions to the resuscitation of agricultural cooperatives in Zimbabwe: A case for Manicaland province** as part of her Research project/Thesis (MSc. Agricultural Economics).

In this regard, Ms Charinda may need to conduct interviews and collect field data in order for her to diligently carry out the research project.

It would therefore be of tremendous benefit to the study and hopefully to the authorities in charge if you could kindly accord her all the necessary assistance and facilitation to access relevant personnel, information, and documentations and or the sites for her project.

We undertake to ensure that Ms Charinda makes a formal presentation to your department on her findings upon completion of her study, should this be a requirement from your office. Thanking you for your valuable support in this matter.

Yours faithfully

Mrs. M.M Hangula

HOD- Agricultural Economics

## Appendix 6: Consent form



### **SUSTAINABLE SOLUTIONS TO THE RESUSCITATION OF AGRICULTURAL COOPERATIVES IN ZIMBABWE: A CASE STUDY OF MANICALAND PROVINCE**

#### *Informed Consent*

You are invited to participate in a research study about agricultural cooperatives. Purpose of the study is to determine the strategies to fully exploit the potentials of cooperatives in fulfillment of the requirements for an academic degree. It will provide knowledge on key aspects of the structure and operation of agricultural cooperatives in the country.

Participation in this study is voluntary. If you agree to participate in this study, we will conduct an interview with you. The interview which will take about 15 minutes includes a questionnaire with two sections. With your permission, I would like to tape-record the interview. Participation is free, no remunerations will be received. Further, there are no known risks or immediate benefits associated with your direct participation but the final output may help transform our communities.

The information you will share with us if you participate in this study will be kept completely confidential to the full extent of the law. In any sort of report I make public I will not include any information that will make it possible to identify you directly or indirectly. Research records will be kept under lock and key accessible only to the researchers. All research instruments will be destroyed after a reasonable period upon completion of the study.

If you have any questions about this study, please contact Lorraine Charinda at [llochads@gmail.com](mailto:llochads@gmail.com) or at +263773584815 / +264817939510. If you have questions or concerns regarding your rights as a subject to this study you may contact the University of Namibia, Department of Agricultural Economics at [www.unam.na](http://www.unam.na) or +264612064095

**Statement of consent:** I have read the above information and have received answers to any questions I asked. I consent to take part in the study.

Your signature \_\_\_\_\_ Date \_\_\_\_\_

Your name \_\_\_\_\_

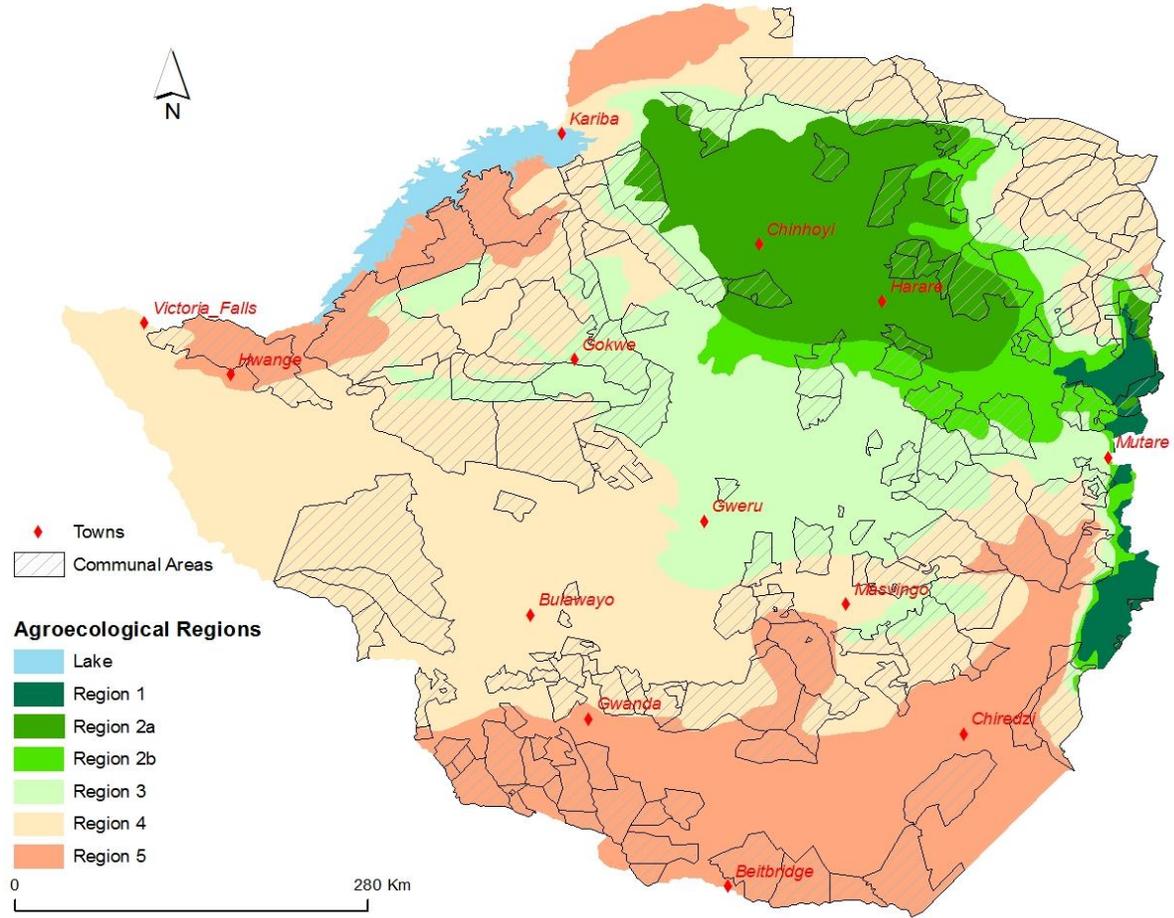
In addition to agreeing to participate, I also consent to having the interview tape-recorded.

Your signature \_\_\_\_\_ Date \_\_\_\_\_

Signature of researcher \_\_\_\_\_ Date \_\_\_\_\_

Name of researcher \_\_\_\_\_ Date \_\_\_\_\_

**Appendix 7: Natural regions and communal lands of Zimbabwe**



**Appendix 8: Position of responsibility held by farmers in cooperatives**

Position held	Number of farmers	Number of farmers (percent)
Agro dealer	1	0.9
Chairperson	4	3.5
Ordinary member	97	85.1
Secretary	7	6.1
Treasurer	5	4.4
TOTAL	114	

**Appendix 9: Pipes used by poachers to divert water from canals to their fields**



**Appendix 10: People doing laundry in canals used for irrigation purposes**



**Appendix 11: Deteriorating house of production for mushroom cooperative**

