

**The factors that led to the collapse of agricultural Co-operatives in Sekhukhune District of the Limpopo Province**

By

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## DECLARATION BY STUDENT

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**M.B. DIALE**



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**Date**

## DEDICATION

This paper is dedicated to my lovely, wonderful wife, Mokgadi for her continuous support and understanding and all my family members and close friends.

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## **ABSTRACT**

Agricultural co-operatives have an extremely high failure rate in South Africa. This has created a loss of co-operative financing support from development institutions in the country. Co-operatives are one of the driving tools to job creation and economic growth in rural communities, it is thus unfortunate and alarming if these co-operatives are failing to drive such developmental change in society. It is thus imperative to investigate the factors that led to the collapse and failure of these co-operatives.

This study was conducted in the Sekhukhune district of the Limpopo province. The aim of the study was to investigate the factors that led to the collapse and failure of agricultural co-operatives within the area. Twenty eight participants participated in the study. Within the 28, co-operative members, co-operative executives and mentors were provided with questionnaires which were used to assess the factors that may have led to the collapse and failure of the co-operatives, a quantitative research approach was used to collect and analyse data. One of the major findings was that conflicts are a major source of collapse of co-operatives. A number of other factors were derived from the findings, such findings are stipulated in full within the research document

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background

Co-operatives play an important role in mobilising communities into organised structures that can contribute to economic growth in South Africa. The modern history of South Africa cannot ignore the role that co-operatives have played in the development of its economic foundation (Satgar, 2007).

According to the South African Co-operative Strategy (2010) co-operatives are meant to create and develop income, create sustainable employment, reduce poverty, develop human resource capacities & knowledge, strengthen competitiveness, increase saving and investment and to improve social and economic well-being of South Africans (Satgar, 2007).

According to the Companies and Intellectual Properties Commission of South Africa (2016) there were 53 461 co-operatives registered in 2012 and 47% were agricultural co-operatives. In 2009 the Department of Trade and Industry (DTI) conducted an international comparison study which found that co-operatives in Kenya contribute 45% of the Gross Domestic Product (GDP) and in New Zealand co-operatives contribute 22% to their GDP, in both countries agricultural co-operatives dominate this contribution. However, a report from the national agricultural co-operatives indaba in South Africa in March 2012, showed that agriculture contributed 11% of the GDP pre-1994 in South Africa; this percentage reduced to a low 3% by 2012. Statistics South Africa (Stats SA, 2014) reports that the current agricultural GDP contribution is at 2%.

#### 1.2 Problem statement

Agriculture can potentially create sustainable jobs and significantly improve our economy in South Africa, however, agriculture only contributes 2% to the GDP currently (Stats SA, 2014).

According to the South African Department of Trade and Industry (2009) registered co-operatives in South Africa have a 12% survival rate, the Companies and Intellectual Property Commission(CIPC) co-operatives registrar points out that there were 6 086 active agricultural co-operatives in 2009 but 5 415 collapsed due to conversion, demutualisation or conglomeration, indicating a mortality rate of 89%. Although this study may not be conclusive due to the inadequacy of data, difficulty in locating some agricultural co-operatives which do not comply with provision of the act of submitting financial statements and change of contact information it still provides a perspective of the state of co-operatives in our country.

The South African government bases its solutions to co-operatives improvement on findings from the DTI which are communicated at annual indabas to come up with solutions to these challenges that cause co-operatives to collapse. This therefore means that, if such findings are not a true reflection of the actual problem then the government is using misleading recommendations to tackle the problem. Based on the above a need was identified for more intensive research that involves collapsed co-operatives and their members to outline a true reflection of why agricultural co-operatives are collapsing and failing to have a significant contribution to the building of our economy.

### **1.3 Research questions**

- What challenges do funded agricultural co-operatives face in Sekhukhune District Municipality of Limpopo Province?
- How are funded agricultural co-operatives supported by the government?
- What strategies can be developed towards sustenance of agricultural co-operatives?

### **1.4 Research Aim**

This study aimed to investigate the factors contributing to the collapse of agricultural co-operatives in Sekhukhune District Municipality of Limpopo Province

## **1.5 Objectives**

- To identify challenges faced by agricultural co-operatives that are funded by government in the Sekhukhune District Municipality.
- To investigate the support structures available for agricultural co-operatives in Sekhukhune District Municipality of Limpopo Province.
- To develop strategies that could be used to sustain agricultural co-operatives.

## **1.6 Rationale of the Study**

Co-operatives are being funded across South Africa through different government initiatives and private sector social development programmes with the aim to develop the economy, alleviate poverty and create employment, however the outcome is not as expected, as most of these co-operatives collapse.

Understanding the cause of the collapse of co-operatives would guide government in anticipating these risks and in strategizing towards more sustainable solutions. This research could close the knowledge gap around the subject of co-operative failure and would propose a more business oriented and yet sustainable approach.

## **1.7 Significance**

The South African economy is in need of all forms of interventions that can aid in sustainability of agricultural co-operatives as they are at the pinnacle of job creation, rural development and economic growth, it is therefore significant to investigate causes of failure of agricultural co-operatives in South Africa.

Such a study may contribute significantly to future policy makers regarding agricultural co-operative funding and sustainability

## **1.8 DEFINITION OF TERMS**

### **1.8.1 Agricultural co-operative**

According to the Cambridge Business Dictionary (2016), an agricultural co-operative is an organisation in which many small farms work together as a business, especially to help each other produce and sell their crops: Farmers with common interests often organise through agricultural co-operatives to strengthen their market power.

### **1.8.2 Co-operative funding**

The Cambridge Business Dictionary (2016) also defines funding as money given by a government or organisation for an event or activity. In the context of this research, funding is the money provided to an agricultural co-operative for the purpose of productivity of the co-operatives, such funds are used to purchase implements, input cost and infrastructural development for the profitability of the project

### **1.8.3 Collapse**

The Oxford Business Dictionary (2016) defines collapsing as “to fall down suddenly because of pressure or having no strength or support”. For the purpose of this research collapse will relate to co-operatives that received funds and soon failed to continue operation.

## **1.9 ETHICAL CONSIDERATIONS**

The following ethical issues were considered:

Permission: the researcher requested permission from co-operative owners to conduct research on their co-operative. A written request for permission was also provided to the government entities that will participate in the study.

Informed consent: participants were informed about the importance of the research study, to ensure they understand why the study is being conducted. The participants were also informed that they are not forced to participate in this research and thus can withdraw at any time.

Confidentiality: the identities of the participants were kept strictly confidential.

The researcher did by no means manipulate or fabricate any collected data to support any subjective conclusion to the study.

The results were made accessible to all participants in the study

## **1.10 RESEARCH LIMITATIONS AND DELIMITATIONS**

Limitations are those characteristics in methodology that may influence how genuine the results are (Ewing, 2015).

It would have been ideal to conduct this study on all co-operatives in South Africa, however due to limited finances and time constrains, the study would only be conducted in Sekhukhune District Municipality of Limpopo Province.

## **1.11 OUTLINE OF THE DISSERTATION**

### ***Chapter 1: Introduction and Background***

This chapter consists of the background of co-operatives in South Africa. It sets the background, problem statement, objectives, and research questions and provides a clear motivation of the study.

### ***Chapter 2: Literature review***

This chapter provides a detailed review of previous literature on agricultural co-operatives across the world, effective funding initiatives for agricultural co-operatives and detailed reviews on why co-operatives collapse across the world and in South Africa

### ***Chapter 3: Research methodology***

This chapter outlines the methods that will be used to conduct the research, the population group and provides detailed explanations of the data collection techniques and systems of data analysis

### ***Chapter 4: Findings and discussion***

This chapter provides an interpretation of the conducted research and tests the research findings

### ***Chapter 5: conclusion and recommendations***

This chapter outlines the conclusions based on the findings and provides recommendations for future research purposes.



## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

Co-operatives have a significant role they play in developing countries; they are promoted for their proposed ability to address issues of unemployment, rural development and economic growth. They have been created in order to empower communities, however, there are many instances where that is not the case, in fact majority of co-operatives result in failure instead (Acharya, 2009). It is therefore imperative to investigate the factors that lead to failure of co-operatives. In this review the researcher will concentrate on agricultural co-operatives, while looking into factors that lead to co-operative failure. Furthermore, the researcher will explore current interventions towards preventing co-operative failure. The researcher will not only explore literature from co-operatives that have managed to succeed but will evaluate the success factors in relation to those that fail. More importantly the researcher will explore a linkage between the literature and objectives outlined in chapter one.

#### 2.2 Agricultural co-operatives overview

There are various definitions of co-operatives; subsequently a co-operative definition depends on the source and the approach. The review of this literature yields numerous definitions of co-operatives (McBride, 1986; Porter and Scully, 1987; Nilsson, 1997).

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

A Co-operative is also defined as an entity that is used and controlled by those who use it, it is differentiated from other businesses by 3 basic concepts: firstly the principle that the persons who own and finance the co-operative are the users. Secondly, the control of the co-operative lies in the hands of the users. Thirdly, the benefits generated from the co-operative benefit its users (Barton, 2012).

Similarly Galor (2004) defines a co-operative as an economic enterprise founded by and belonging to the members. He further explains that they are created in order to render the best possible services at the lowest cost to their members. This thus suggests that the co-operative belongs to its members entirely and equally.

The International Co-operative Alliance (ICA) defines a co-operative as “an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise” (ICA, 2005).

Nilsson (1997) defines an agricultural co-operative as an economic activity, which is conducted for the need of its members and is owned and controlled by these members.

According to Danker (1986) an agricultural co-operative is regarded as a business organisation that renders services to its farmer members. He further elaborates that the co-operative typically provides marketing of produce and facilitates the purchase of farm supplies. Agricultural co-operatives represent a type of vertical integration which in general allows farmers who are members retention of their economic independence except in those activities that are performed for them by the co-operative. Danker (1986) further suggests that there are two major reasons for using a co-operative namely: in advanced countries 30% of the produce is marketed through agricultural co-operatives, while in less developed countries agricultural co-operatives are used as means to improve agricultural services for farmers

### **2.3 History of agricultural co-operatives**

The history of co-operative development in South Africa has been documented by a number of authors (e.g., Van Niekerk, 1988; DTI, 2003; Piesse *et al.*, 2003; RSA, 2005a). The first co-operative in South Africa was a consumers' co-operative that was established in 1892 under the Companies Act, as no co-operatives act existed at the time (Van Niekerk, 1988: 19). More co-operatives, agricultural co-operatives in particular, were registered under the Companies Act until 1908 when the first Co-operative Act (Act No. 91 of 1981), was passed. This was followed by the Co-operative Societies Act of 1922 (Act No. 28 of 1922), which focused mainly on agricultural activities. According to Ortmann (2007), after the recommendations by the Commission of Inquiry into Co-operatives and Agricultural Credit of 1934, the Co-operative Societies Act of 1939 (Act No. 29 of 1939), was passed by the SA Parliament. This Act, in turn, was repealed by the Co-operatives Act, 1981 (Act No. 91 of 1981), which also made provision for trading co-operatives. The 1981 Act was amended on at least eight occasions (RSA, 2005a).

The present government did not consider the 1981 Act as a suitable vehicle for the development of co-operatives in the current era for various reasons (e.g., inadequate definition of a co-operative – registered co-operatives are not explicitly required to conform with co-operative principles; presumption that the state play a highly interventionist or paternalistic role in relation to co-operatives; a focus primarily on agricultural co-operatives; provisions protecting members' interests, particularly in regard to the board of directors, are poorly articulated; and onerous requirements to register a co-operative) (RSA, 2005a). It thus initiated the process of developing a new Act based on international (ICA) principles. This process commenced with the publication of a draft Bill in 2000 and a further revised draft in 2003 for comment. Comments were received from a wide range of organisations, interest groups and individuals. The revised Bill culminated in the Co-operatives Act, 2005 (No.14 of 2005), which was published in the *Government Gazette* on August 18, 2005 (RSA, 2005b). A wide variety of primary co-operatives can register in terms of this Act (including

agricultural, consumer, housing, worker, financial services, burial society, and service co-operatives), as well as secondary co-operatives (formed by two or more primary co-operatives to provide sectoral services to its members) and tertiary co-operatives (whose members are secondary co-operatives, and whose objective is to advocate and engage state institutions and the private sector on behalf of its members (Ortmann, 2007)

- Ortmann's paper of 2007 further suggests that the development of the Co-operative Acts and agricultural co-operatives in general should also be seen in the context of other laws and regulations that were implemented by the SA government in support of (white) commercial farmers. The Land Acts of 1913 and 1936, aimed at removing blacks from designated white areas and consolidating the black homelands, were supplemented by other measures to support commercial farmers, including the establishment of the Land and Agricultural Bank (Land Bank) in 1912 (to provide subsidised loans to commercial farmers), the Co-operatives Societies Acts of 1922 and 1939 (to secure input supply and output marketing services), and the Marketing Act of 1937 (to control the marketing of agricultural products). Agricultural co-operatives emerged and thrived in this environment. Traditionally, many co-operatives were involved in three main areas of business:
  - The purchase and sale of agricultural inputs and equipment;
  - The purchase, storage and subsequent sale of agricultural commodities; and
  - Transport services (Piesse *et al.*, 2003).

However, the Land Bank also used co-operatives as its agents to provide short- and medium-term credit to commercial farmers at subsidised interest rates, while the government used co-operatives to channel disaster assistance to farmers, usually in the form of debt consolidation. The agricultural co-operatives thus became financial intermediaries. The Marketing Act of 1937 (later amended as Act 59 of 1968) enabled the use of various policy instruments (such as single-channel schemes, pool schemes, and export monopolies) to manage the marketing of agricultural commodities through 23 marketing (control) boards, which were established under the Act. Co-operatives

were usually appointed as agents to the respective marketing boards, giving them effective regional monopoly power (Piesse *et al.*, 2003).

The substantial costs of supporting commercial farmers - in terms of subsidies, price support, tax concessions and the misallocation of resources caused by distorted prices - were not sustainable. With political change also happening, a series of reforms commenced in the 1980s, including removal of subsidies and tax concessions and deregulation of agricultural financing and marketing, which reduced the role of agricultural co-operatives and made them less dependent on government support. The 1993 recommendations of the Committee of Enquiry into the Marketing Act on deregulation of agricultural marketing and repeal of the Marketing Act of 1968 led to the Marketing of Agricultural Products Act, No. 47, of 1996, which ended state control of agricultural commodities and resulted in the demise of the marketing boards. With reforms of the financial sector happening concurrently, subsidies were abolished in the 1990s. These major policy reforms had a material effect on the role of co-operatives in South Africa. Co-operatives no longer have the privilege of being appointed as agents of various marketing boards, thus losing their regional monopoly powers, and are no longer involved in distributing government subsidies. While they still provide short- and medium-term credit to farmers, they have to perform this function on a commercial basis as the Land Bank now also has to compete with commercial banks for this business. Several co-operatives have converted to IOFs and some are listed on the Johannesburg Securities Exchange (Piesse *et al.*, 2003).

## **2.4 The Agricultural Co-operative Act No.14 of 2005**

### **2.4.1 The purpose of the co-operative act of 2005**

The purpose of this Act according to the Co-operative Act of 2005

- (a) promote the development of sustainable co-operatives that comply with co-operative principles, thereby increasing the number and variety of economic enterprises operating in the formal economy;
- (b) encourage persons and groups who subscribe to values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises, to register co-operatives in terms of the Act;
- (c) enable such co-operative enterprises to register and acquire a legal status separate from their members;
- (d) promote equity and greater participation by black persons, especially those in rural areas, women, persons with disability and youth in the formation of, and management of, co-operatives;
- (e) establish a legislative framework that preserves a co-operative as a distinct legal entity;
- (f) facilitate the provision of support programmes that target emerging co-operatives, specifically those co-operatives that consist of black persons, women, youth, disabled persons or persons in the rural areas and that promote equity and greater participation by its members;
- (g) ensure the design and implementation of the co-operative development support programmes by all the agencies of national departments including but not limited to Khula, NEF, NPI, SEDA, IDC, SAQI, SABS, CSIR, PIC, DBSA, SALGA and SETAs, and compliance with uniform norms and standards prescribed by this Act;
- (h) ensure the design and implementation of the co-operative support measures across all spheres of government, including delivery agencies, and adherence to a uniform framework of established norms and standards that reflect fairness, equity, transparency, economy, efficiency, accountability and lawfulness;

- (i) and facilitate the effective co-ordination and reporting mechanism across all spheres of government through the department.

#### **2.4.2 Co-operative act and its provisions**

The Co-operatives Act No.14 of 2005 explains why we need co-operatives in South Africa as:

- Co-operatives are based on self-help, self-reliance, self-responsibility, democracy, equality and social responsibility as their values.
- A strong co-operative movement in South Africa can advance social and economic development by creating employment, generating income, promoting black economic empowerment and helping to end poverty.
- Co-operatives will strengthen the South African economy by creating large number of sustainable economic enterprises in wider variety of sectors.
- The South African government is committed to providing a supportive legal environment that will help co-operatives develop and succeed.
- The new law in co-operatives will make sure that the co-operatives principles are followed in South Africa.
- The new law on co-operatives will make possible for the co-operatives to register with the government and to have their own legal status.

#### **2.4.3 Compliance with principles of co-operatives**

According to the Co-operative Act No.14 of 2005, a co-operative complies with co-operative principles if-

- (a) membership of that co-operative is open to persons who can use the services of that co-operative and who are able to accept the responsibilities of membership;
- (b) in the case of a primary co-operative, each member has only one vote;
- (c) to the extent feasible, members provide the capital required by that co-operative; the return paid on member capital is limited to the maximum percentage fixed in accordance with the constitution of that co-operative;

- (d) at least five per cent of the surplus is set aside as a reserve in a reserve fund and is not divisible amongst its members.
- (e) it provides education and training to its members and employees.

#### ***2.4.4 An analysis of the South African Co-operative Act No.14 of 2005***

A study was conducted on the South African co-operative act of 2005 by R.Collins and M.Lyne in 2008. Their findings suggest that there are a number of flaws in the co-operative Act of 2005 which subsequently limits agricultural co-operatives access to capital or expertise through equity partnerships from agribusiness firms. The paper also suggests that the co-operative act discounts important trends in international legislation that would be highly beneficial to co-operative growth and sustainability in South Africa. The researchers found the following institutional flaws that constrain the growth of co-operatives:

The core basis of the findings lies on the consideration that an investment in growth assets that a co-operative needs in order to provide competitive services include assets, which are tangible (like fixed improvements) or intangible (like product branding), they should be financed from equity and/or debt capital. The problems that co-operatives have raising equity capital due to their flawed institutional arrangements (ill-defined property rights in particular) have been well documented (Sykuta & Cook, 2001). Low levels of equity capital obviously compromise a co-operative's credit-worthiness and hence the amount of capital that it can borrow. In addition, for any given level of equity, a co-operative's ill-defined property rights further reduce its access to debt capital (Hendrikse & Veerman, 2001).

First, a co-operative limits dividends paid on equity capital, distributing most of its profits to members according to their level of patronage. These institutional arrangements stem from the fundamental principles of Voluntary and Open Membership and Member Economic Participation (ICA, 2005) which are widely interpreted as requiring (a) all members to be patrons and (b) distributing profits to patrons rather than to investors. These constraints are specified in sections 3(1)(a)3, 3(1)(d)4 and 44(1)5 of South



Africa's new Co-operatives Act. Residual claims therefore reside with patrons, and this creates an internal free-rider problem (Lyne & Collins, 2008).

Second, the principle of Voluntary and Open Membership also creates an external free-rider problem. Members have even less incentive to finance the co-operative if the benefits were appropriated by non-members at, or below, the price paid by members. (Lyne & Collins, 2008).

Third, the founding members of a co-operative would also be reluctant to finance fixed improvements because they cannot realise the full benefit of assets that generate returns beyond their period of membership. This 'horizon' problem arises because members of traditional co-operatives are not permitted to trade shares at their market value. Instead, the co-operative is entitled to redeem members' shares at their original (par) value (see section 25 of South Africa's new Co-operatives Act). Again, these institutional arrangements emphasise the traditional view that profits should be distributed to patrons rather than to investors. The implication is that investors cannot realise capital gains when they leave the co-operative. Ultimately, these gains are captured by free-riders in the form of new members who benefit from improvements without paying market prices for their shares (Lyne & Collins, 2008).

Fourth, the members of a co-operative face 'portfolio' and 'control' problems that are aggravated by an 'influence' problem. The latter problem arises due to ill-defined voting rights. The portfolio problem refers to sub-optimal investment by members because they are unable to transact shares and therefore cannot diversify their own portfolios to reflect personal risk preferences. Disincentives created by the portfolio problem become more pronounced when risk-averse members use their democratic voting majority to pressure management into making conservative investments. Outvoted, the more entrepreneurial members of the co-operative would be hard pressed to influence management otherwise, denying the co-operative much-needed capital and expertise. Democratic Member Control is a fundamental principle of traditional co-operatives (ICA, 2005). Section 14(1)(e)6 of South Africa's Co-operatives Act entrenches this principle, the object of which is to ensure that co-operatives are controlled by users and not by investors (Barton, 1989). Ironically, the control problem refers to the difficult task of

monitoring the performance of management when there is no share market to signal changes in the value of the enterprise. To sum up, traditional co-operatives struggle to raise equity capital because ill-defined property rights leave investor-principals without residual claim, without residual control, and without information to evaluate their agent-managers.

Fifth, returning to the issue of debt capital, the institutional problems that constrain levels of equity in traditional co-operatives also constrain levels of debt as lenders prefer their loans to be covered by equity in order to reduce their exposure to loan default. In addition, for any particular level of equity, a traditional co-operative's ability to borrow is adversely affected by the influence problem, especially when the loan is needed to finance relation-specific assets (Hendrikse & Veerman, 2001). Specific assets expose the co-operative to hold-up problems and so increase the lender's risk of loan default (Royer, 1999). There is not much that lenders can do to reduce this risk when transacting with traditional co-operatives because it is difficult for them to influence managerial decisions when members have equal voting power (Lyne & Collins, 2008).

## **2.5 Co-operative failure**

Based on the provided definition of a co-operative by Galor (2004), he suggests that one of the main reasons most co-operatives fail is because they do not exist on the notion of equality, but rather on that of individuality namely, belonging to everyone commonly and thus belonging in fact to no one.

In 2003 a study was conducted in the Asia-Pacific Region by Prakash (2003). He based his findings on the experienced of extension officers and field advisors. He discovered that rural women in agricultural co-operatives are faced by the following challenges which led to the collapse of their co-operatives:

- high level of illiteracy by members
- a lack of leadership skills and a low level of participation by members

- the lack of inheritance of property by members, which makes it difficult for members to qualify for credit facilities
- insufficient supply of water not only for production but also for household consumption
- lack of marketing opportunities
- traditional and religious beliefs that become obstacles
- a lack of opportunity in the decision making process hinders female participation in management and thus opportunity to maximise the use of skilled participants within the co-operative

A study conducted in South Africa over 2 co-operatives in the Kwazulu Natal province yielded similar findings. The study conducted by Ortmann (2007) with the objective to investigate whether agricultural co-operatives could facilitate small holder inputs and product markets found that the co-operatives failed as a result of a low level of education, lack of market information, insecure property rights, poor road and communications infrastructure and a long distance to the market. These co-operatives had a potential to produce high yields of fruit and vegetables, however due to these challenges were unable to meet their objectives.

In 2010 however Machete (2010) published some interestingly different findings regarding failure of agricultural co-operatives as compared to those commonly cited. The study dwelled on co-operatives in underdeveloped areas, seeking to explore the reasons behind their failure. The findings suggested that member's inability to dismiss inefficient management played a key role in co-operative failure. The study also suggests that lack of co-operative understanding, lack of understanding members' identity within the co-operative, insufficient credit and the inability of the co-operative to keep adequate stock to requisite were the key findings of the study

In developing countries attempts to organise farmers into co-operatives have often failed, although co-operatives have the potential to supply farm inputs and market farm products that are both important for agricultural development (Hoyt, 1989). The DTI (2003) provides a brief overview of co-operative development in African countries. Akwabi-Ameyaw (1997) suggests that in Africa farmer co-operatives have often failed

because of problems in holding management accountable to the members (i.e., moral hazard), leading to inappropriate political activities or financial irregularities in management. Van Niekerk (1988) reports that co-operative failures in the former (less-developed) homelands of South Africa were due mainly to lack of management experience and knowledge, lack of capital resources, and disloyalty of members due to ignorance.

### **2.5.1 Free- rider problem**

The free-rider problem emerges when property rights are untradeable, insecure, or unassigned (Cook, 1995). Royer (1999: 56) refers to it as “a type of common property problem that emerges when property rights are not tradeable 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”. Both internal and external free-rider problems are often associated with conventional co-operatives. With regard to the internal free-rider problem (the common property problem), since the rights to residual claims in a traditional co-operative are linked to patronage instead of investment, new members receive the same patronage and residual rights as existing members although the new members are not required to make up-front investments proportionate to their use. The general tendency of the free-rider problem then is to encourage decisions that increase cash flows per member. This creates a disincentive for existing members to invest in their co-operative because of the dilution of their returns (Vitaliano, 1983; Cook, 1995; Royer, 1999).

### **2.5.2 Access to Market:**

A major reason why small holder farmers (SHFs) with surplus production remain trapped in poverty is the lack of access to markets (Magingxa, Alemu & Van Schalkwyk, 2009). Almond and Hainsworth (2005) argue that field extension agents are ill-informed about local markets and often do not provide the necessary training and assistance so that SHFs can gain access information about markets. These authors maintain that government should leverage the private sector and facilitate access to markets by using existing value-chain infrastructure (Almond & Hainsworth, 2005). Based on two cases,

Ortmann and King (2007) illustrate that access to high-value markets poses considerable challenges for rural farmers, and that infrastructure investment is critical in reducing these types of transactional costs. However, they also maintain that cooperation among producers can facilitate access to markets while increasing bargaining power. They highlight that government should play a role in assisting these group actions through coordination and start-up funding (Ortmann & King, 2007). Biénabe *et al.* (2011) indicate that another opportunity for SHFs to access markets is through “quality food” and “high-value food” production. High-value crops and organic crops, they argue, are labour-intensive and require considerable attention during production. These crops, they maintain, are ideal for production by SHFs. They criticise certification schemes driven by the dominant retail sector in South Africa as onerous and as favouring large-scale producers with the capacity to conform to such schemes (Biénabe *et al.*, 2011). Mahlogedi and Thindisa (2014) take the concept of high-value produce a step further by arguing that agro processing has the capacity to improve the livelihoods of SHFs owing to the post processing value that is added to the product. However, they also indicate that this requires sufficient human and social capital to reside with the farmer–entrepreneur, as well as low transaction costs to encourage a willingness to engage own resources (human and social capital) and the market (Mahlogedi & Thindisa, 2014).

### **2.5.3 Insufficient support by government**

According to the National Development Plan for South Africa and its Vision for 2030, South African’s rural communities should have greater opportunities to participate fully in the economic, social and political life of the country. Rural economies will be supported by agriculture and possibly by mining, tourism, agriprocessing and fisheries. The following aspects were identified as essential, with special reference to extension and advisory services in South Africa:

- The improvement of skills development and training in the agricultural sector, which includes training on entrepreneurship and the training of a new cadre of extension officers who will be able to respond effectively to the needs of small holder farmers in rural communities (Davis & Terblanche, 2016).

For these extension officers to be successful, it is necessary to investigate whether extension and other agricultural services are appropriately located at **provincial level**. Innovative means for agricultural extension and training by the state in **partnership with industries** should be sought (National Planning Commission, 2012: 206).

However, contrary to the National Development Plan, Love *et al.* (2006) argue that Extension services for SHFs are a concern for the United Nations (Love *et al.*, 2006). Studies show that extension officers in KwaZulu-Natal in South Africa only visit SHFs once a year, and the educational levels of such officers remain low (Ortmann & King, 2007). Further studies in the North West province of South Africa, show that staff changes in the provincial Department of Agriculture have created instability in the delivery of extension services, with the result that the administrative body finds it difficult to implement the regularly changing political commitments made by Members of the Executive Council (Ngomane, Thomson and Radhakrishna, 2002). Ngomane *et al.* (2002) further argue that extension-staff shortages are the result of the way in which resources are allocated by the national Department of Agriculture in South Africa: 92 percent of the national budget was, according to them, spent on a ministry staff complement of 11 000, of which only 1 200 were extension staff, thus stretching the ability of the latter to serve South Africa's SHFs. According to Aliber and Hall (2012), budgets have trebled over a 20-year period. The vastness of the administrative apparatus swallows the largest portion of the budget, with extension services in South Africa reaching only 11 per cent of the SHFs (Aliber & Hall, 2012). An investigation of the Department's focus on a few select projects that benefit only a limited number of SHFs revealed that targeting of agriculturally active black households by extension services had a mere 1.8 per cent reach (Aliber & Hall, 2012). Aliber and Hall (2012) criticise the ratio of extension to non-extension personnel, arguing that the government departments concerned make poor use of resources at their disposal and do not understand the needs – or indeed know the whereabouts – of their primary clients (Aliber & Hall, 2012). Baiphethi and Jacobs (2009) argue that, to bolster subsistence agriculture, investment in extension services needs to be improved. Aliber and Hall (2012), however, are concerned that, notwithstanding the small impact that extension currently has, such service uses up over half of support budgets at the provincial level.

This, they indicate, raises the question as to what it would cost to achieve an appreciable difference (Aliber & Hall, 2010).

#### **2.5.4 Agricultural co-operative finance**

Researchers, Amadhila and Akhide (2016) conducted a study on financial constraints for African SHFs. They focused on Namibia as a subject matter, employing a qualitative research methodology which was made up of a purposive-judgment sample. They found that there was a poor of loan recovery on the supply side while, there was also a provision of insufficient capital & bureaucracy on the demand side. This led to formal institutions limiting financing of small holder farmers.

A further study was conducted in Nigeria. Its aim was to examine agricultural financing in Nigeria and its implications on the growth of Nigerian economy using ordinary least square method and quantitative research design. The study observed that there is significant relationship between agricultural financing and the growth of Nigerian economy and that the level of loan repayment rate over the years has indeed negatively impacted significantly on the growth of the Nigerian economy. The result has an important implication in terms of policies that will enhance economic growth through agricultural financing. It is therefore recommend that, having seen that there is long-run relationship between agricultural financing and economic growth in Nigeria, there is need to increase the level and size of agricultural loan through the reduction of interest rate to allow for more economic development in the country ( Ngwanko, 2013)

The Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB) is one of the government publicly sponsored credit institutions established in 1973 (formerly called the Nigerian Agricultural and Co-operative Bank) to cater for the credit needs of the agricultural sector. Unfortunately, the performance of NACRDB has been rated low, mainly due to a high default rate by beneficiaries (Zeller, 2001).

A report by the World Bank (2001) found the following significant factors that led to agricultural co-operative financing failure in Africa:

- I. Lack of adequate skills to deliver services effectively;

- II. Unwillingness of conventional banks to support micro enterprises;
- III. Paucity of loanable funds;
- IV. Absence of support institutions in the sector, legal, infrastructure, training, etc.; Incompetent management, poor corporate controls, poor credit administration and assets
- V. Over emphasis of credit against self-financing modes for small scale farmers
- VI. Over emphasis on the political connotation of agricultural finance, which has tended to create, reinforce and cement a perception that such loans coming from government sources do not need to be paid back;
- VII. Over-emphasis on mere disbursement against sustainability, viability and loan recovery; and
- VIII. Over-emphasis on quantitative aspects as against qualitative ones, such as sustainability of the handling institutions, impact on borrowers, and integration of agricultural finance into other important development aspects.

Availability of credit is important if inputs of good quality are to be available to farmers, especially small-scale producers (Kalinda *et al.*, 1998: 590). Inputs such as improved seed, agrochemicals, and fertilizers require capital in the form of short-term credit. Available credit is often captured by larger producers while the poorer farmers may have little or no access to it because of institutional barriers. Poor farmers often have difficulty obtaining credit and financial institutions are typically biased against smallholders, particularly women farmers. This conclusion is firmly supported by Ani *et al.* (2009: 47) in their study of the contribution made by women to the production of groundnuts in Nigeria. They suggest that an agricultural credit policy should be formulated to make credit facilities more accessible to women.

Results of Wynne and Lyne's (2003) study on poultry farmers in KwaZulu-Natal, a province of South Africa, indicate that enterprise growth rate is constrained by poor access to credit, high transaction costs and unreliable local markets. These results concur with those of an earlier study by Kalinda *et al.* (1998: 598) that suggest that agricultural credit is recognised as one of the means by which small-scale farmers can increase their capital base. They argue that government's dominance as a major credit



source is largely a reflection of the reluctance of private financial institutions to invest in rural markets and agricultural production.

## **2.6 Successful co-operatives**

In a study by Ostberg (1985) it was discovered that in a number of developing countries such as the United States of America, United Kingdom, Iceland, Sweden, Norway, Finland, Denmark, Spain, Israel and Canada co-operatives have experienced great success. In fact the study emphasised how Canada has managed to have co-operatives in every sector of its economy, people in Canada are born in hospital co-operatives, buried in funeral co-operatives, they can live in housing co-operatives and do their shopping from consumer co-operatives. They send their children to co-operative schools and purchase their insurance from insurance co-operatives. Co-operatives in the Nordic countries have captured 25-30% of retail trade (Ostberg, 1985)

According to a study of Indian and British co-operatives (Harper, 1992), it was discovered that the success of co-operatives depended on the individual leadership and broader social/community objectives. Harper also concluded that the ability of the co-operative to operate without political interference, having strict rules and procedures and members sharing similar backgrounds led to success.

In some developing countries such as India, China, Colombia and Bangladesh co-operatives have been doing very well. Co-operatives are widespread in the rural areas of China. In fact rural credit co-operatives may be small but collectively they control 12% of the financial systems' deposits. In 2003, China's central bank announced that they plan to integrate over 230 rural credit co-operatives in order to establish Shanghai Co-operative Bank, which would be the third local commercial bank in Shanghai (Garnevskaja *et al.*, 2011)

According to the study conducted by Galor (2004), co-operatives need to improve management levels for successful executions of budgeting, financial planning and profitability calculations. The study also suggests that the ability to calculate profitability and plan for produce, services and inputs are essentials for success of co-operatives.

Similarly, a study conducted on a number of successful co-operatives namely: Amul - India, Mondragon - Spain, and MilkVita - Bangladesh looked into some of the key factors that have led to the success of these co-operatives (Acharya, 2009). Most of the actors identified in this study complement the above findings of Galor (2004). The study identified four key factors that contribute to the success of agricultural co-operatives, such as leadership strength, the size of the group of overall members, the relations regarding business amongst the members and the process of selecting members onto the co-operative.

Banaszak (2008) found that the motivation of members, governance policies, regulatory framework and market factors are some of the internal factors that are essential for co-operative success. The findings also suggest that member commitment, member participation, communication and market factors are some of the essential factors to co-operative success especially in developing countries, where co-operatives are still underdeveloped

## 2.7 Interventions to prevent co-operative failure

A study conducted on rural women in agricultural co-operatives by Prakash (2003) shows that the challenges faced by agricultural co-operatives can be enumerated as follows:

- need to improve professional management skills of advisors or those offering guidance services to co-operatives and some key members of the co-operative
- development of a marketing system that will enable farmers to meet market trends and demands
- building an awareness of quality controls and standardisation of the farm products to enable efficiency and competitiveness in the market
- participate in efforts to conserve natural resources which directly and indirectly influence farm production and rural employment.
- assuring of the supply of inputs such as fertilizers, seeds, chemicals and extension services.

According to a study conducted by Nel (1998) suggests that in order to boost agricultural activity, particularly amongst the black rural population, issues of access to land and the provision of adequate infrastructure and extension support will first need to be addressed. The apartheid-induced development backlog is such that in many, predominantly black, rural areas less than 1% of residents can be classified as full-time commercial farmers (Bembridge, 1987). Sub-subsistence activities and urban dependence characterise the majority of rural families (Fox & Nel, 1997). The need for land reform legislation and rural development strategies, given such a reality, is an undisputed necessity. The passage of the 1913 and 1936 Land Acts witnessed the extensive dispossession of black rural communities and their confinement to the racial reserves (the Homelands) which constituted only 13% of the area of the country (Pickles, 1991). The fact that the carrying capacity of the land had already been exceeded in 1918 in the case of the Ciskei Reserve is indicative of the severity of the problems that prevail. The near collapse of African commercial farming by the 1980s (Bembridge, 1987) in these areas is a deep cause for concern and a natural argument for intervention. The new government has clearly been active in trying to address past injustices: by November 1996, almost 2 million ha of land had been redistributed, partially through land claims resulting from earlier dispossession (Editors Inc., 1997). In parallel, the rights of farm workers on white farms to remain on the land have been given proper legal status through the 1997 Extension of Security of Tenure Act. Concerted programmes designed to promote broad-based development in the rural areas, and to obtain additional land through market mechanisms, for aspirant small-scale black farmers, have made much slower progress.

Barton (2011) published a study on co-operative finance success factors; the case study suggests that co-operatives must be competitive like any business. The co-operative business model is unique but it is still a business that is subject to the principles of business finance, business management and economics. It must be managed as a business that can compete in a capitalistic and highly competitive market economy. The primary economic justification for organising and operating a co-operative is to correct and prevent market failures that are present or could be present. Other related justifications include providing missing services, reducing costs of service,

and being price and service competitive in the marketplace—known as the “competitive yardstick” role. Some co-operatives also attempt to increase the value of patrons’ incomes by bargaining for higher prices or better terms of trade rather than accepting “market prices.” The study further suggests that irrespective of its purpose and role, a co-operative should strive to be as profitable as possible and then distribute those profits to its patrons. A co-operative should implement the core principle of the co-operative business model, service or operation at cost, by being competitive in the marketplace, making as much profit as possible, and then distributing profits and residual cash to patron-owners. Distribution should be done in a way that maximises the long-run benefits to the group, keeping in mind that the group has heterogeneous interests at any one time due to their unique place in their business and personal life cycle. This distribution of patronage refunds or patronage income implements the service at cost principle of co-operatives. The payment of patronage refunds for a “non-pooling co-operative”, or net margins for a “pooling co-operative”, is the primary way co-operatives implement the service at cost principle. Patron-owners get what is left over through a combination of cash patronage payments, cash equity redemption payments and cash payments of net marketing proceeds. The study further elaborates that co-operatives should use balance sheet management when making income distribution and equity redemption payments. A co-operative must position and protect the business for short-run and long-run sustainability by adhering to a balance sheet management philosophy that manages both liquidity and solvency. Adequate risk capital must be provided by establishing and following liquidity and solvency guidelines as an element in the overall business strategy. The co-operative should then pay out in cash to patron-owners any residual cash as cash patronage refunds or equivalent, and allocated equity as equity redemptions for cash not needed to meet the guidelines. Owners always get what is left over in any business, as residual claimants, and patron-owners of co-operatives are no different (Barton, 2011).

## 2.8 CONCLUSION

Success of funded agricultural co-operatives depends on a number of factors, it is important to conduct research on factors that lead to failure of co-operatives so as to ensure that proper measures are put in place to remedy the current status core.

The literature shows that conflicts and literacy play a pivotal role in failure of co-operatives, however it also shows that there is a lack of understanding of the co-operative model and therefore suggesting ineffective policy enforcement.

## CHAPTER 3

### RESEARCH DESIGN AND METHODOLOGY

#### **3.1 INTRODUCTION**

This main focus of this chapter is to present the methodology used in conducting this study. The research attempts to understand the factors that lead to the collapse and failure of agricultural co-operatives in the Sekhukhune district of the Limpopo province. The research method describes and provides a framework for the collection and analysis of data.

#### **3.2 RESEARCH DESIGN**

Mouton (2001) describes research design as a plan and layout of how a research project will be conducted. Research design explains how the research will be conducted in order to fulfil the research objectives. Monette (2005) further describes research design as an outline of how the study's observations will be made

This study will employ a qualitative approach as this will allow the researcher to focus and explore the study within its natural setting (Leedy and Ormrod, 2014).

#### **3.3 STUDY AREA**

According to the Local Government Workbook (2016), Sekhukhune District Municipality is one of the 5 district Municipality's in the Limpopo Province. The District houses 5 local municipalities located in the northernmost parts of South Africa. The main economic sectors of the District include Mining which covers 15-20% and agriculture which covers 9-10%.

#### **3.4 TARGET POPULATION**

Saunders (2007) defines a population size as a full set of cases from which a sample is taken as it is impossible to collect or analyse all the data available due to time, money and often access.

The study will focus on 10 agricultural co-operatives that are located within Sekhukhune District Municipality that have received funding support from LEDET (Limpopo Economic Development), Limpopo Department of Agriculture and Rural Development, The National Youth Development Agency (NYDA) and the Dti which are all state owned entities that provide free funding support to previously disadvantaged members of society in South Africa. The data will be collected from co-operative individual members, agricultural extension advisors from areas of funded co-operatives being sampled and coordinators of projects from funding sources.

### **3.5 SAMPLING**

Cockcroft (2014) suggests that the most common sampling methods in non-probability sampling are purposive and quota sampling. Leedy and Ormrod (2014) further suggest that in purposive sampling, the sample group is chosen for a specific purpose. In this study the researcher focuses on a number of co-operatives that are funded by government for agricultural production. This thus suggests that a purposive sampling method will be used to select the participating co-operatives for the study.

### **3.6 DATA COLLECTION**

Data will be collected through a structured interview using a voice-recording device. Leedy and Ormrod (2014) suggest that interviews can yield a great deal of useful information, especially because it allows the researcher an open platform to explore questioning that relates to the biography and behaviours of the participants.

Secondary data will also be collected from previous literature of research conducted in relation the study.

### **3.7 DATA ANALYSIS**

The data will be sorted, categorised and analysed through descriptive statistics. The researcher will make use of the voice recordings to analyse the data.

### **3.8 ETHICAL CONSIDERATIONS**

The following ethical issues will be considered:

Permission: the researcher will request permission from co-operative owners to conduct research on their co-operative. A written request for permission will also be provided to the government entities that will participate in the study.

Informed consent: participants will be informed about the importance of the research study to ensure they understand why the study is being conducted. The participants will also be informed that they are not forced to participate in this research and thus can withdraw at any time.

Confidentiality: the identity of the participants will be kept strictly confidential.

The researcher will by no means manipulate or fabricate any collected data to support any subjective conclusion to the study.

The results will be made accessible to all participants of the study

### **3.9 SUMMARY**

This chapter presented the research methods and approach used for this study. The research is a descriptive cross-sectional study that surveyed factors that lead to failure of cooperatives through local farmers from the Sekhukhune district of Limpopo province. The study used a quantitative approach, while the data was collected by means of a questionnaire filled in by the farmers directly. The data was analyzed using the Statistical Analysis Software (SAS). The next chapter will present the results of the study.



## CHAPTER 4

### DATA ANALYSIS AND INTERPRETATION

#### 4.1 INTRODUCTION

The previous chapter discussed all structural and fundamental methodological components relevant to the present study. The current chapter examines the approaches used in dealing with the data that were captured for this study. All the data were accessed from the research questionnaires that were distributed with the intent to investigate the factors contributing to the collapse of agricultural co-operatives in Sekhukhune District Municipality of Limpopo Province.

In this chapter the framework that was used for analysing and interpreting the data before describing the characteristics of the research participants. This is then followed by an analysis of the results obtained on the participants of this study aimed to investigate the factors contributing to the collapse of agricultural co-operatives in Sekhukhune District Municipality of Limpopo Province. Most of the results in the current chapter are presented either through a tabular arrangement or in a diagrammatic format.

#### 4.2 STATISTICAL ANALYSIS

SPSS software was used to analyze the data. Furthermore, the statistics were assisted double-checking to see whether the interpretations done were accurate. After the questionnaires were returned, they were screened to eliminate those that were incomplete as well as those in which the same question was answered throughout, which indicated that some of the respondents had not read the questions. This procedure was immediately followed up with the capturing of the data on a Microsoft Excel computer package. The Excel document was then imported into the IBM SPSS Statistics Version 25 where it was coded in preparation for data analysis. The data analysis involved several rigorous statistical tests such as reliability tests, descriptive statistics and inferential statistics. A comprehensive diagrammatic representation of the

research path adopted for data analysis in the current study is also made in next section.

### **4.3 DESCRIPTIVE STATISTICS**

Descriptive statistics are techniques that help to state the characteristics or appearance of sample data (Zikmund, Babin, Carr & Griffin, 2013: 54). Frequency tables and the mean score ranking technique are the major descriptive statistics employed in this study.

### **4.4 FREQUENCY DISTRIBUTIONS**

Frequency distributions such as percentages, graphs, line charts, pie charts, histograms and bar charts were utilised to display research findings. Frequency distributions are used to depict absolute and relative magnitudes, differences, proportions and trends (Zikmund *et al.*, 2013). These methods use both horizontal and vertical bars to examine different elements of a given variable (Malhotra, 2011: 84). The use of frequency distributions facilitated from 20 officials from SASSA and Department of Social Development and also 15 community members were interviewed.

### **4.5 DEMOGRAPHICAL PROFILE OF THE OFFICIALS RESPONDENTS**

Section A of the questionnaire elicited information pertaining to the demographic characteristics of respondents. The section addressed the following attributes pertaining to the respondents:

- Position of the respondents
- Age group of respondents
- Gender
- Work experience
- Educational level

Each of these characteristics will now be discussed.

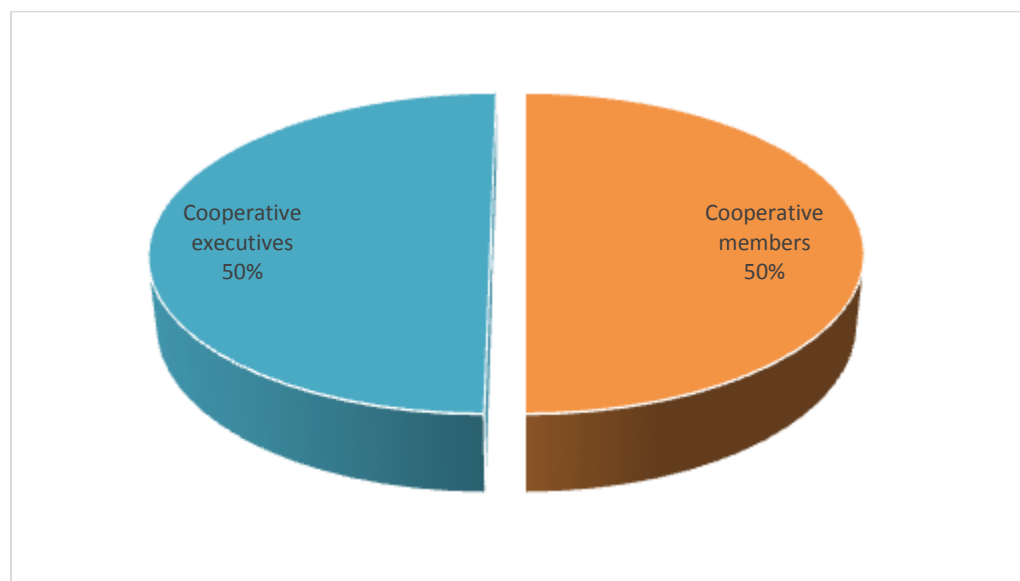
#### **4.5.1 Position of Co-operatives**

Co-operatives are being funded across South Africa through different government initiatives and private sector social development programmes with the aim to develop

the economy, alleviate poverty and create employment, however the outcome is not as expected, as most of these co-operatives collapse. In this study 28 Agricultural co-operatives agreed to participate in the research project.

*Table 1: Position of respondents (n=28)*

	Frequency	Percent
Co-operative members	14	50
Co-operative executives	14	50
Total	28	100



*Figure 1: Table 1: Position of respondents (n=28)*

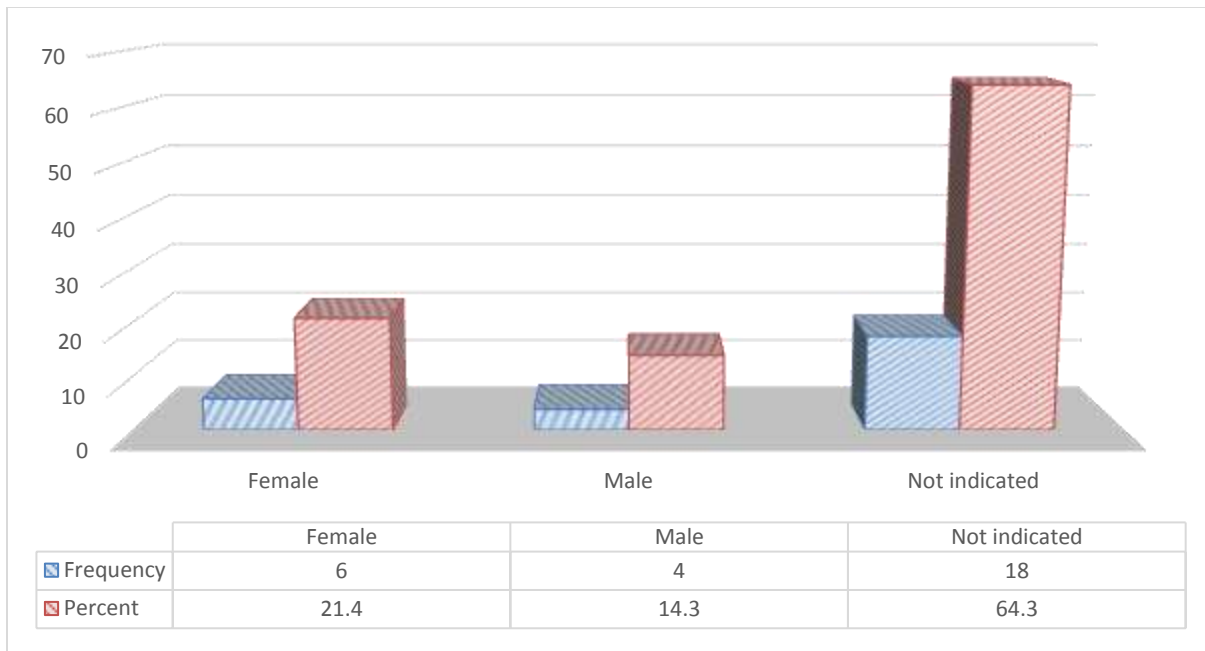
A total of 28 Agricultural co-operatives participated in this study of which 50% were clinical staff and co-operative executives and another 50% were co-operative members. Co-operatives are generally made up of a membership of 5 members or more, through a constitution an executive committee is formed, based on the fact the executive is responsible to execute most of the managerial activities, it was thus imperative to get views from members of the executive and those of ordinary members.

#### 4.5.2 Respondents' gender

The frequencies and percentages pertaining to the respondents' gender are illustrated in fig 2 below;

*Table 2: Gender Distribution of Respondents (members and executives) (n=28)*

	Frequency	Percent
Female	6	21.4
Male	4	14.3
Not indicated	18	64.3
Total	28	100



*Figure 2: Gender Distribution of Respondents*

The gender distribution of the respondents is shown in Figure 6.2 above. Analysis of the Figure provides that the greater proportion of respondents (**63%**) is female; and only (**37%**) is male. Majority of the respondents are female. It was observed that most of the co-operatives in question had a configuration a higher female ratio than men, the study further showed that some respondents were not comfortable sharing their gender, this is

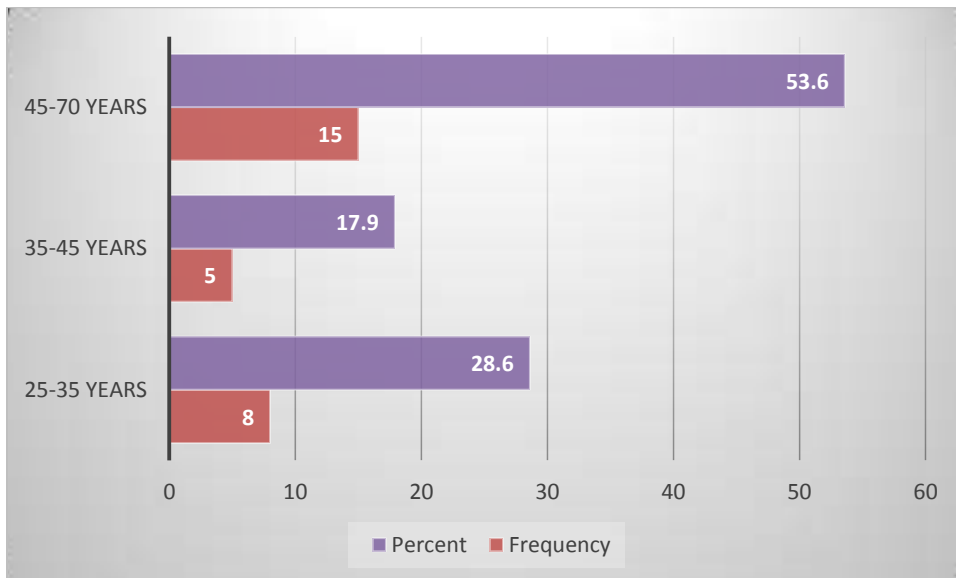
equated to the cultural theory that women tend to withhold their views during gatherings or engagement, thus withholding identity somehow allowed the respondents to be confident completing the questionnaire.

### 4.5.3 AGE GROUP OF RESPONDENTS

For the purposes of data analysis, the frequencies and percentages pertaining to the ages of respondents were grouped as illustrated in Table 3 and Figure 3, respectively.

*Table 3: Frequencies and Percentages of the Age Groups of Respondents (n=28)*

	Frequency	Percent
25-35 years	8	28.6
35-45 years	5	17.9
45-70 years	15	53.6
Total	28	100



*Figure 3: Frequencies and Percentages of the Age Groups of Respondents (n=28)*

The age distribution within the 28 officials from agricultural co-operatives in Sekhukhune District Municipality of Limpopo Province (Table 1; Figure 1) is interesting. A majority (54%: n=28) of the respondents are aged between 45 and 70 years; 8 (29%) respondents are aged between 25 and 35 years and lastly 5 (18%) respondents aged between 35 and 45 years. The above figure correlates to the greatest challenge faced by the agricultural sector, majority of farmers are above the age of 70. This study confirmed the latter.

#### 4.5.4 FARMING EXPERIENCE

Table 4: Farming experience

	Frequency	Percent
0 year	2	7.1
1-2 years	3	10.7
2-5 years	4	14.3
5-10 years	17	60.7
Not indicated	2	7.1
Total	28	100

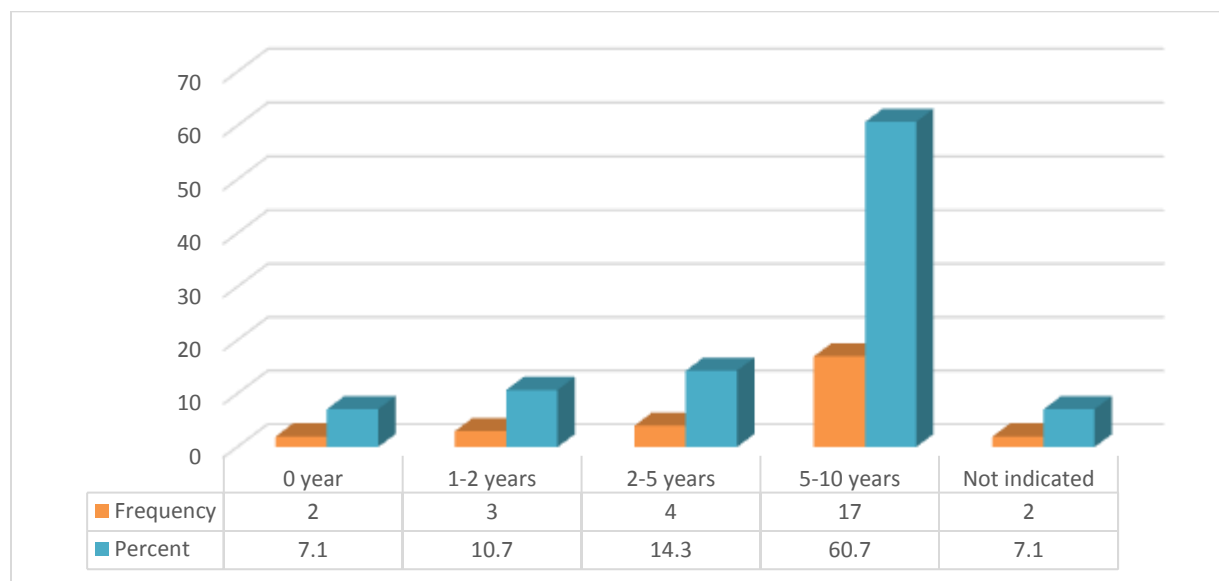


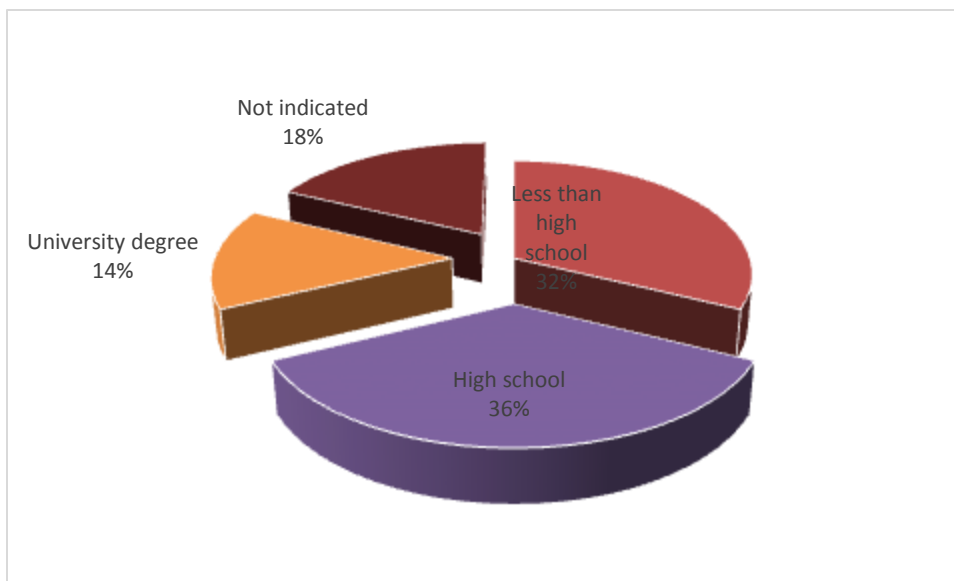
Figure 4: Farming experience

Respondents were asked to indicate their farming experience. Majority of respondents 61% indicated that they were in the farming field for about 5-10 years whereas 7% were in the farming field for less than a year. The study shows that farmers don't necessarily lack farming experience as 60.7% showed an agricultural experience of 5-10 years, this thus suggested that agricultural skills were not a significant factor that leads to the collapse of agricultural co-operatives. The above experience however only represents practical experience on the field and does not consider other important skills such as administrative skills and financial management of agricultural co-operatives.

#### 4.5.5 Educational background

*Table 5: Respondents' Level of education*

	Frequency	Percent
Less than high school	9	32.1
High school	10	35.7
University degree	4	14.3
Not indicated	5	17.9
Total	28	100



*Figure 5: Respondents' Level of education*

Figure 5 above, shows that thirty-six percent (36%) of the respondents obtained high school certificates as their highest qualification. Figure 5 further shows that a small percentage (14%) of respondents have a University degree. In addition, analysis of Figure 5 provides that at least 32% of respondents have less than high school level of education. However, 18% of respondents did not indicate their level of education. The study was conducted in the rural areas of Sekhukhune district where the majority of people have little or no further education, especially that majority of the respondents were above the age of 70 years old. The lack of further agricultural education experience was consistent with the number of collapsed co-operative within the area within the study area.

#### **4.5.6 RELIABILITY TESTING**

It has to be appreciated that there are several statistical indexes that may be used to measure internal consistency. Examples include the Average Inter-Item correlation, Average Item Total Correlation, Split-Half Reliability, and the Cronbach's alpha (Wells *et al.*, 2003:4). For the purposes of this study, the Cronbach's alpha was adopted as the measure of internal consistency for the measurement scale. According to (Wells *et al.*, 2003: 4), the Cronbach alpha provides a measure of the extent to which the items on a measurement scale or test provide consistent information. Cronbach's alpha is often considered a measure of item homogeneity, that is, large alpha values indicate that the items are tapping a common domain. The scale in Cronbach's reliability test ranges from 0 to 1. Scores that are close to 1 indicate that the instrument has a high reliability, while scores close to 0 indicate that the reliability of the instrument is very low (Wells & Wollack, 2003:4). Most researchers require a reliability of at least 0.7 before they can use the instrument. In this study, the Statistical Package for the Social Sciences (SPSS Version 25) was used to test the reliability of the measuring instrument. Once again, Cronbach's alpha test proved to be both appropriate and handy as it provides a summary of inter-correlations that exists among the items on the factors contributing to the collapse of agricultural co-operatives in Sekhukhune District Municipality, Limpopo Province.



In order to determine the reliability and validity of the data collection instruments used in this study, Cronbach's alpha was used. Sekaran (2000), (as cited in Nyengane, 2007:74), stipulates that "coefficients less than 0.6 are considered poor, while coefficients greater than 0.6, but less than 0.8 are considered acceptable and coefficients greater than 0.7 are considered good". The table below shows Cronbach's alpha for the study variables, and for all items coefficient is greater than 0.7 which is good as stipulated by Sekaran (2000) (as cited in Nyengane, 2007:74).

*Table 6: Reliability testing*

	Cronbach's alpha	Average inter-correlation items	No. item
Competency of co-operative executives	0.699	0.159	15
Challenges and causes of collapse of co-operatives	0.766	0.283	9

Each component (as categorised by documentation provided) was examined for internal reliability using the Cronbach's Alpha. Table 6 shows Cronbach's Alpha of competency of co-operative executives and challenges and causes of collapse of co-operatives are 0.699 and 0.766 respectively, which are acceptable because they are greater than required Cronbach' alpha of 0.70.

#### Challenges and causes of collapse of co-operatives

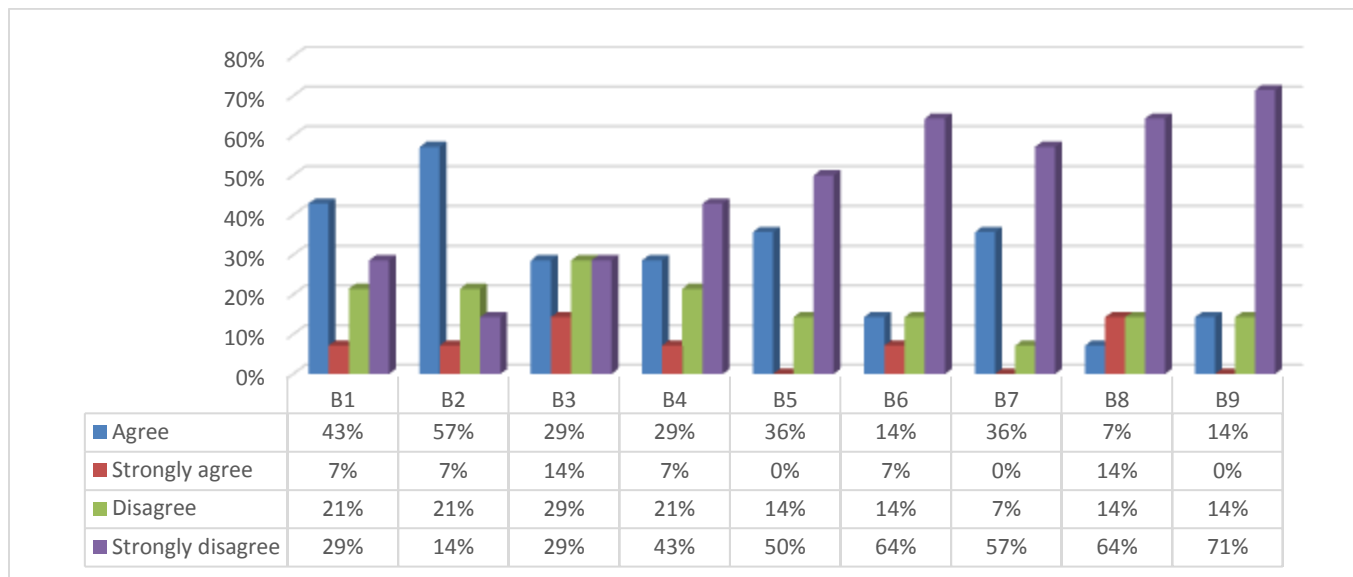
Section B of the questionnaire was designed to analyse the factors contributing to the collapse of Agricultural Co-operatives in Sekhukhune District Municipality, Limpopo Province. Questions in this section elicited challenges and causes of collapse of co-operatives in Sekhukhune District Municipality indicators, namely:

- Section B: Challenges and cause of collapse of co-operatives (Items B1, B2, B3, B4, B5, B6, B7, B8 & B9).
- Section C: Competency of co-operative executives (Items C1, C2, C3, C4, C5, C6 to C15).

Tables below are statistical summary of the responses. Descriptive statistics, namely percentages were used to analyse the data. In the information presented in tabular form, the numbers 1, 2, 3 and 4 represent strongly disagree, disagree, agree and strongly agree, respectively. The frequencies are presented both numerically and as percentages. To analyse the factors contributing to the collapse of agricultural co-operatives in Sekhukhune District Municipality, Limpopo Province, the frequencies and percentages for all 9 items were placed in rank order.

*Table 7: Prevalence of items on the Challenges and causes of collapse of co-operatives*

Item No	Statements	Agree	Strongly agree	Disagree	Strongly disagree	Total
B1	We are well organised into formal structure.	43%	7%	21%	29%	100%
B2	We hold regular constructive meetings	57%	7%	21%	14%	100%
B3	The Executive committee is functional	29%	14%	29%	29%	100%
B4	There is production on the farm	29%	7%	21%	43%	100%
B5	There is sufficient financial support from government.	36%	0%	14%	50%	100%
B6	The level of mentorship is high	14%	7%	14%	64%	100%
B7	The level farming skills is reasonable.	36%	0%	7%	57%	100%
B8	Business skills are important in managing co-operatives	7%	14%	14%	64%	100%
B9	Finances are properly managed	14%	0%	14%	71%	100%



*Figure 7: Prevalence of items on the Challenges and causes of collapse of co-operatives*

The results indicate that a total of 100% respondents (43% = agree and 7%= strongly agree) on the measure of organised formal structure while 50% do not. In terms of constructive meetings, majority agreed (57% = agree and 7% = strongly agree) while 35% do not. Majority of respondents (29% = disagree and 29% = strongly disagree) did not measure the executive committee as functional whereas 42% agreed. However, the production on the farm is inadequate, majority of respondents (63%) show in the table above while only 37% agree that the production is adequate on the farm. 64% of respondents agree and strongly agree with the item measures financial support rendered by government whereas 37% do not. 78% of respondents agree that mentorship is high while only 22% do not. Almost 20% (57% = strongly disagree and 7%= disagree) of the respondents do not measure the level farming skills as reasonable whereas only 36% agree that the level of farming skills is reasonable. Majority 78% of respondents disagree with the item that measures Business skills as important in

managing. Finally, the findings are clear that major factors contributing to the collapse of the co-operatives relate to mismanagement of finances of which 71% strongly disagree and 14% disagree while only 14% agree that funds were properly managed.

#### **4.6 Reasons why the project collapsed**

Co-operatives play an important role in South African's agricultural economy (Sexton *et al.*, 2008). However, the failure rate among new co-operatives is often high and, moreover, situations where co-operatives could benefit farmers may sometimes go unrecognised. This study was undertaken to provide a guide to the types of economic conditions in which co-operatives can be beneficial and to set out the key organisational, financial, and operational features to developing a successful co-operative. In this sense the report is intended to act as a blueprint to guide farm leaders and their advisors in making decisions concerning new co-operatives. Respondents were asked to give their reasons based on the option why the project collapsed. The following are their reasons: -

- Members do not contribute enough time to the project.
- Employees do not come to work on time and there is theft.
- Executive committee and members not the same page.
- Government forces us to plant with no irrigation, promising funds.
- Government support is low and they don't keep promises.
- Lack of finances.
- Lack of markets and management committee agreements
- Mentor robbery
- Leaders are too old, cooperation by member is low and our mentors cheat us.
- Mentor pulled out and left farmers alone to conflict.
- Mentors deal with bribes with officials; committee uses funds for personal uses, creating structural problems
- Support and management misuse funds, no participation, membership is based on farm allocation and not voluntary joining.

The main purpose of establishing the co-operative was to address the challenges that farmers face in accessing inputs and product markets. All the co-operatives in this study and their current state are not considered to be sustainable, based on the evidence of their failure to provide marketing services to their members. They have failed to successfully manage their businesses or preserve their assets and capital. As a result, the farmers do not have any bargaining power for their produce because of lack of enough funds, skills, training and support from government.

The effect of conflicts on daily operations of co-operatives are given as follows:

Causes factions in co-operative leading to low performance
Collapsed the cooperation
Collapse the projects
Government refuses irrigation
Increases lose of interest and reduces productivity
It slows down progress and it reduces membership
Lack of infrastructure support to start project
Miscommunication
Not doing their work
The conflicts results in no farming activities done on the farm
Very minimal involvement
Yield production is low

Conflict has been a major factor of co-operative failure in South Africa. Based on the above information it is clear that without effective conflict resolution systems in place it may be difficult for co-operatives to operate optimally as it affects communication, performance and productivity.

### View of what would have saved the project from collapse

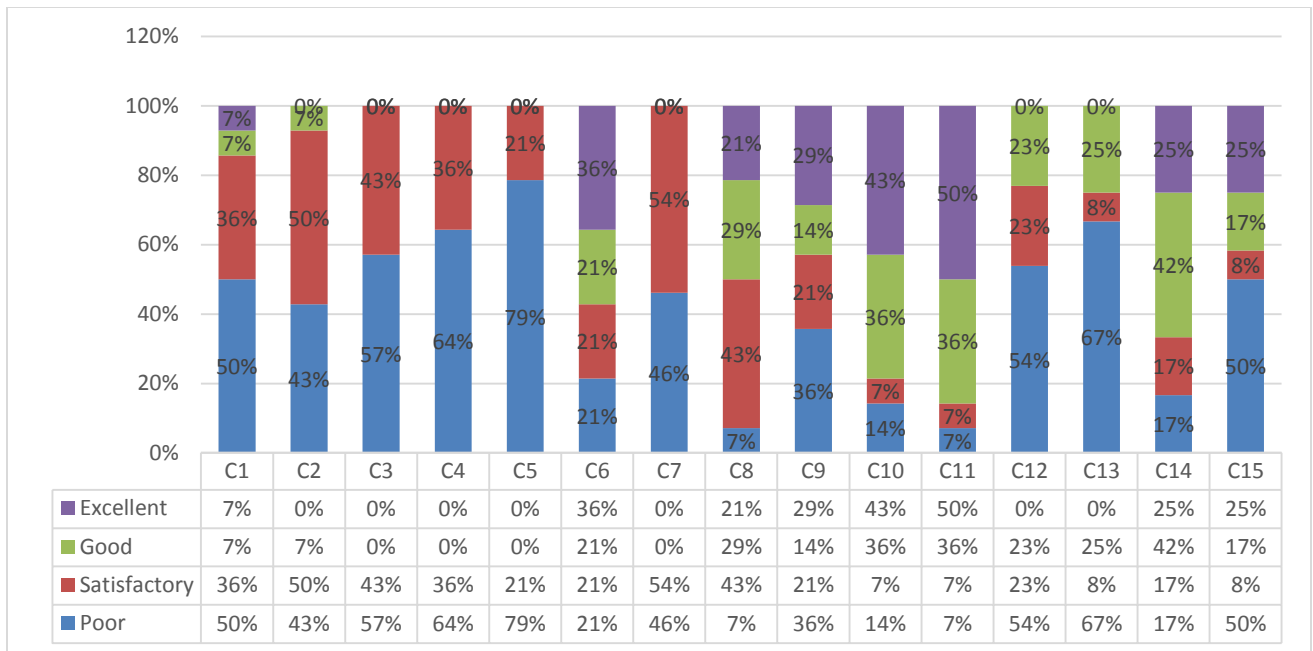
Better communication and financial support skills
Change of committee and mentor assisting with markets
Co-operative, mindset change, younger members, smaller co-operative groups and formation of co-operatives based on performance not inheritance
Coordinated work with strategic partner and strategic resolutions of our conflicts with our mentor
Financial and mentorship support
Finding strategic partners that can transfer skills, getting enough financial support, guidance, training and mentorship
Getting rid of ride-alongs, getting market and membership and setting younger leaders with experience
If members put in enough effort to manage the farm properly
Infrastructure support, financial management support and mentorship
Member collaboration and in specific of new production funds
Money and intense training on how to run a co-operative
N/A
No training provided

According to the respondents, factors that may have saved their co-operatives from failing include skills, finances and communication. Majority of the co-operatives had little or no access to information. This is mostly due to the remoteness of the areas and lack of infrastructure within the surroundings. The age of the members also play a critical role as the average age of farmers is 70 years although most preferred not to disclose; this was a factor as most of the elders have little or no educational background. Access to sufficient training and mentorship according to the respondents would have assisted the co-operatives not to have failed.

#### 4.7 Competency of co-operative executives

Item	Statements	Poor	Satisfactory	Good	Excellent	Total
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No						
C1	Skills in managing a co-operative	50%	36%	7%	7%	100%
C2	Skills in conflict management	43%	50%	7%	0%	100%
C3	Skills in financial literacy	57%	43%	0%	0%	100%
C4	Understanding co-operative legislation	64%	36%	0%	0%	100%
C5	Record keeping skills	79%	21%	0%	0%	100%
C6	Ability to read and write	21%	21%	21%	36%	100%
C7	Conflict management skills	46%	54%	0%	0%	100%
C8	Agricultural knowledge	7%	43%	29%	21%	100%
C9	Skills in co-operative administration	36%	21%	14%	29%	100%
C10	Ability to relate with farmers	14%	7%	36%	43%	100%
C11	Ability to speak farmers' language	7%	7%	36%	50%	100%
C12	Mentorship support you provide	54%	23%	23%	0%	100%
C13	Ability to solve farmers problems	67%	8%	25%	0%	100%
C14	Agricultural skills	17%	17%	42%	25%	100%
C15	Specific skills for crops in production	50%	8%	17%	25%	100%



#### 4.8 What factors made it hard for you to ensure success of your co-operative?

Conflicts and lack of discipline regarding finances
Cooperation, member commitment, lack of information support and leadership
Financial support
Financial support, communication skills, time management
Funding, low training and forced reliance on rain
Government support too low, funds always being promised and mentors bribe officers without mentoring
Government support, mentorship, management greed
Lack of finance, Government neglect and misuse of funds
Lack of funds, working skills and labour resources
Member participation, lack of funding and financial management markets
Money, training and skills
Our members, lack of funds and no training



The above table gives an indication of factors that have contributed to the collapse of agricultural co-operatives as stated by the respondents. Lack of access to finance appears to be one of the major challenges as farmers believe without access to finance they are unable to start projects or even sustain them. It is also clear that regardless of finances some respondents believe that funds were misused and greed got the better of their management. The respondents also alluded to finances leading to conflicts amongst co-operative members. This has posed a serious challenge as majority of them have little or no conflict resolution skills. This has led to majority of the co-operatives closing down once conflicts arise.

#### **4.9 To what extent does the training provided enable you to be competent in what you are doing?**

It is trying but we truly need full time mentorship
It's not sufficient
Its technical, we need more, people came here and train youth who afterwards don't come and work on project
Most of the farmers are old, they can't even write so training doesn't really help
No training offered
No training occurred
The training done is not sustainable without the funds needed to maintain the farm
The training helped me to manage things differently e.g. time management and communication skills.
Training has opened my eyes and I now see things different e.g. conflict management
Training is technically based not focused on admin and business which is important
We did not receive any training

The table above represents the responses of the participants in relation to training as a factor of co-operative failure. According to the respondents, it appears that the type of training they have received is technical which focuses on planting and basic agriculture mechanisms. This is a challenge as according to some respondents technical training

neglects aspects of business management, communication and other relevant skills such as time management. This may possibly be due to a lack of sufficient skills audits conducted by trainers or a lack of co-operative or project understanding by the local expansion officers. Some of the respondents were unable to comment as they had not received any formal training which also indicates that low service delivery and government support may indeed be an important factor.

**4.10 To what extent does the mentorship support help in sustaining your co-operative?**

It would help, it's just that these members don't know anything
It would if it was frequent, however there is little or no mentorship at all.
Lesser extend as they take too much time to come to the farm
Mentors came here, exploit us and go. No commitment
No mentorship provided
The members exploit us, they use us as labourers and not to support us.
The mentorship helped with technical advice
They collude with officials regarding bribes which affect us
They offer advice and sometimes demonstrate
Training is insufficient since they take forever to come
We don't get mentorship support, we operate in the dark

The above table focuses on responses in relation to mentorship as a factor. Mixed reactions were observed as some found it helpful, whilst majority found it to be exploiting. They eluded to allegations of mentors colluding with government officials through bribes which affected project oversight and monitoring by government officials. There were also a few who were unable to respond accordingly as they had never received any form of mentorship.

**4.11 What could be done to save the co-operative from collapsing in future?**

Commitment from government and sufficient mentorship
Commitment from government, sufficient mentorship and irrigation infrastructure
Communication is key
Funds to maintain production, market and training skills
Funding support and reduce stagnant members
Government commitment
Mentorship support, training that focuses more on mindset change, support from government, co-operation legislation and younger membership
Monthly income, training, full mentorship and skills
Proper mentorship, participation, funding and market access
Sufficient training on business and membership of high quality
That communication is very important

Based on the above table, respondents found sufficient mentorship to be an important solution to failure. According to responses, sufficient mentorship from government with support of infrastructure, training and funding their co-operatives stand a better chance of survival. Irrigation and market access was also mentioned as important aspects, these are critical aspects of project success as without sufficient water or markets projects would be doomed to fail as crops require water to grow, while markets are the bases of profitability.

#### 4.12 What skills training have you done post your graduate qualification?

	Frequency	Percent
Not indicated	4	28.6
Brand marking, ear tagging	1	7.1
I have the training to technical agriculture and Bsc Agric/ B Agric	1	7.1
None	6	42.8
The degree I have does not cover for skills needed in the workplace, government is not providing extra training.	1	7.1
There is a need for a lot of skills, once you become an officer you	1	7.1

need to know everything		
Total	14	100

The above table is in relation to evidence collected from officers who are responsible for mentorship and extension work on behalf of the local department. Based on the above table it is evident that over 40% of the respondents have not done any training post employment as officers. This is a serious challenge as there is a strong demand for information beyond technical agriculture. It is thus imperative for officers to undergo continuous training to ensure they stay informed and are in a better position to address challenges faced by the local farmers.

**4.13 To what extent does the skills you have contribute to the success of co-operative?**

Comply with animal Acts
I don't know
Insufficient longer than a year
Insufficient, farmers expect us to know everything, I think we need more training
It hardly contributes as university does not teach you about business co-operative finance and conflict resolution.
It has helped in terms of understanding productivity but not regarding growth of the farm business
N/a
None
They are for my promotion not assisting farmers
They are insufficient, more skills are needed regarding crops, governance and finances.
They don't meet farmer requirements or demand

In relation to the table above, the officers were asked to respond on the extent to which their level of skills contribute to the success of the co-operatives. It was however evident from the responses that level of skills they possess were not sufficient to meet the needs of the co-operatives, some responded by alluding to the need for more training that is not related to agriculture, while others confessed that the skills and training they invest in are in relation to their getting promotion and not for the purpose of enhancing farmer needs.

**4. 14 How frequently do you visit the projects allocated to you?**

Driven by need, only go 1 per project to meet APP targets of 6 per quarter
Everyday
Less than twice a year
Once a year
Once a year as it is only required that I do 6 visits a quarter, this once I have covered my obligation therefore no incentive for returning to projects
Once quarterly
Once weekly
When I can, if there is a vehicle available
When there is a need, often once in 2 months 1 in a month

The officers had to further respond on how often they visit the projects within their area. Majority of the respondents based the frequency of their visits on their annual performance targets sited from their Annual Performance Plans (APP). According to the respondents they are required to make only 6 visits in a single quarter, any other visits beyond such targets would not be factored into their annual performance and thus would not have any incentive, due to this factor, majority of the respondents would thus only do one visit per project for only 6 projects out of the whole community. Although there were other responses such as “when there is a vehicle available” it showed that government resources would also be a factor to determine the ability of the government officials to support the farmers.

#### 4.15 What do you think causes agricultural co-operatives to collapse?

co-operation and support are poor and Government is looking at scales they plant in hectares instead of productivity and efficiency of projects.
Lack of business skills by extension officers, lack of funds for farmers and farmer politics, frustration towards system is being taken out on officers, so we avoid farm visits
Lack of financial support, disagreement within members
Lack of Government commitment, officials' greed and mentors in it for exportation and mongering
Lack of communication
Member mind set, funding, Government support and farmers' conflicts
Not sure
The Government Annual performance plan scoring for site visit is low, thus officials are not appraised for visiting projects which thus leads to low repeat visits to projects
The co-operatives are not truly equipped, money, on farm infrastructure
We as officers are not equipped, our annual performance plan is lenient affecting farmers as we are not forced to school, and lack of resources.

#### 4.16 Conclusion

In this chapter, the researcher analysed and presented data obtained through a questionnaire. The research provided an interpretation of these data that suits the meaning and purpose of the study.

## **CHAPTER 5**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summarised findings of this study. An assessment of whether the research objectives have been met or not and the findings. The recommendations to further improve knowledge on the subject matter, are also included in this section. Conclusions are drawn based on the processes and findings of this research.

#### **5.2 Summary of findings**

This study was to identify challenges faced by agricultural cooperatives and to investigate the support structures available in order to help develop a strategy that can be used to sustain them. The study was conducted in the South African setting, where agricultural co-operatives that have been funded by government were sampled. The study's population was farmers in the rural areas who had co-operatives that had collapsed. The co-operatives were purposively selected with an objective to analyse what factors lead to their collapse or failure.

The data were collected through means of a questionnaire. The study approach is quantitative, therefore, the reported variables were analysed in figures. 28 agricultural co-operatives based within Sekhukhune district of the Limpopo province were analysed in this study. The research questions were structured in a way that would easily outline the factors that lead to the collapse of the co-operatives, the basic demographic information of participants was collected along with closed ended

questions which expected participants to rate their level of education, skills development and sufficiency of support received by the members.

Data collected from each co-operative were from questionnaires which were provided. Challenges noted in the data were that some of the members did not want to disclose their age, while others were reluctant to share information as they feared that the researcher may have been sent by government. To minimise the effects of these challenges only data of co-operatives which submitted fully completed forms were used in order to avoid inconsistencies in results.

The data were sorted, categorised and analysed through descriptive statistics. The finding of each dependent variable where observed. The findings indicate that indeed there where a number of factors that led to collapse and failure of the co-operatives in question. The findings show that lack of access to finance, lack of mentorship and government support, low level of literacy and high rate of unresolved conflicts are amongst the factors identified as contributors to the collapse of these co-operatives.

In order to determine the reliability and validity of the data collection instruments used in this study, Cronbach's alpha was used. Sekaran (2000) ( as cited in Nyengane, 2007:74), stipulates that "coefficients less than 0.6 are considered poor, while coefficients greater than 0.6, but less than 0.8 are considered acceptable and coefficients greater than 0.7 are considered good". The table below shows Cronbach's alpha for the study variables, and for all items where the coefficient is greater than 0.7 which is good as stipulated by Sekaran in Nyengane (2007:74).

*Table 6: Reliability testing*

	Cronbach's alpha	Average inter-correlation items	No. item
Competency of co-operative executives	0.699	0.159	15
Challenges and causes of	0.766	0.283	9



Objective 1: To identify challenges faced by agricultural co-operatives that are funded by government in Sekhukhune District Municipality

The findings indicate as the listed factors that led to the collapse of the co-operatives are found to have an alpha coefficient of 0.766 which is good and thus confirms that the provided factors are significant and acceptable. These findings are consistent with the literature presented. It is thus important to consider these factors in order to maximise returns from supported co-operatives in future.

Objective 2: To investigate the support structures available for agricultural co-operatives in Sekhukhune District Municipality of Limpopo Province.

In order to investigate support provided by co-operatives, each member was asked to assess the frequency of mentorship support provided to their co-operatives. The findings indicate that 54% of the respondents rate mentorship as poor, while a further 23% as satisfactory, this indication provides a clear impression that the level of support is not sufficient. The findings also show that officers responsible to support the co-operatives lack the skills which co-operatives require in order to succeed and take full advantage of provided support. It is important to understand the type of support structures and their competencies in order to optimise the support provided to co-operatives.

Objective 3: To develop strategies that could be used to sustain agricultural co-operatives.

The primary objective of the study was to use collected evidence and correlate it to literature regarding possible remedies and strategies to combat co-operative failure. The study is found to be consistent with literature as factors outlined by the respondents are in direct relation with those mentioned within the literature.

### **5.3 RECOMMENDATIONS**

Agricultural co-operative success is important to drive employment in rural areas. It is thus important for co-operatives to run successfully and efficiently as this leads to greater economic wellbeing within rural landscapes and broadens financial inclusion. It is however important to take full note of how successful historical co-operatives in South Africa were run, as they continue to yield returns and have grown to become multibillion institutions. The answer of how we should remedy failure of current co-operatives lies deep within the strategies adopted in the past.

A co-operative as is today is based on bringing 5 or more people together whose aim is to come together in order to qualify for government grants and funding opportunities. This is due to the South African government's funding strategies which encourages people to form co-operatives in order to access grants and funding. It is important to note that ancient farmers would only form co-operatives in order to come together as individual farmers whose goal was to buy inputs as a collective as this created an access to huge discounts due to bulk buying. This thus meant that they did not have to force a working relationship as they all had their individual farming operations which they ran as best as they could without any conflicts. It is however unfortunate for majority of the collapsed co-operatives as they are forced to work together primarily to access funds. When these funds take too long to arrive or the going gets tough, there is no basis to keep them together. Co-operatives need to be formed by individual farmers who each run and manage their own operation rather than forcing them to work as a single unit as this model has failed to prove any worth over the years.

This study is strictly quantitative in nature, therefore, ignoring the qualitative factors leading to the collapse of agricultural co-operatives. Qualitative factors such as growth strategies, management objectives and leadership style. These factors could give an in-depth understanding of the factors and remedies thereof. Therefore, more studies considering both the qualitative and quantitative factors must be conducted to further elaborate on these relationships.

## **5.4 CONCLUSION**

This study aimed to give perspective on factors that led to the collapse of agricultural co-operatives, a quantitative approach was taken. The three questions asked by the researcher were answered by the findings of the data analysed.

The data were collected by means of a structured questionnaire, which had open and closed ended sections. This successfully allowed participants to give perspective and also share possible factors that can be used within the strategy of remediation of agricultural co-operative collapse.

The relevant literature is presented and referenced accordingly. International studies and African studies are included and it involves countries of different economies. Studies from different sectors are also presented in the literature review. The findings on the literature presented showed opposing outcomes on the factors that led to the collapse of agricultural co-operatives within the Sekhukhune district in the Limpopo province.

Data collected were analysed through a descriptive statistics method. The analysis findings are presented in tabular forms and analysed in relation with the literature presented.

The findings indicate the listed factors that led to the collapse of the co-operatives were found to have an alpha coefficient of 0.766 which is good and thus confirmed that the provided factors were significant and acceptable. These findings were consistent with the literature presented. It is thus important to consider these factors in order to maximise returns from supported co-operatives in future.

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### **CERTIFICATE**

This serves to certify that I have language edited the Mini Dissertation of

**M Bruce Diale**

Student number: **2000900738**

entitled:

***“The Factors That Led to the Collapse of Agricultural Co-operatives in  
Sekhukhune District of the Limpopo Province”***

A handwritten signature in black ink, appearing to read 'NJ Nel', with a horizontal line underneath.

N J Nel

Lecturer of English, Department Applied Languages  
 Tshwane University of Technology  
 (Retired)

8/ 3/ 2019

**MBA RESEARCH: QUESTIONNAIRE FOR COOPERATIVE MEMBERS ON FACTORS CONTRIBUTING THE COLLAPSE OF AGRICULTURAL COOPERATIVES**

PURPOSE

The purpose of this questionnaire is to gather information with regard to why cooperatives collapse. Through an analysis of the collected information we will be able to have a general conclusion as to why cooperatives fail. The data will then be used to assist policy makers in strategies that may aid in cooperative sustainability in South Africa.

CONFIDENTIALITY

Your answers to the questions will be held under strict confidentiality.

INSTRUCTIONS

This questionnaire consists of three sections. In the first section you will tell us about yourself without revealing your identity. The second section will use your answers as an analysis tool of why your cooperative collapsed. The last section will allow you to answer questions on an open bases which will help us to draw up recommendations.

QUESTIONNAIRE FOR COOPERATIVE MEMBERS				
SECTION A: DEMOGRAPHIC INFORMATION				
<i>Please mark the appropriate answer with an X</i>				
gender	male		female	
Age category	18-25	25-35	35-45	45-70
Cooperative				
Farming experience	0 years	1-2 years	2-5years	5-10years
Educational background	Less than high school	High school	College diploma	University degree

**SECTION B: ANALYSIS OF CAUSES OF COLLAPSE OF COOPERATIVES**

✓ State to what extent do you agree or disagree with the provided statements. Mark your responses with an "X" in the appropriate boxes.

We are well organised into a formal structure.	Agree	Strongly Agree	Disagree	Strongly Disagree
We hold regular constructive meetings.	Agree	Strongly Agree	Disagree	Strongly Disagree
The Executive Committee is functional.	Agree	Strongly Agree	Disagree	Strongly Disagree
There is production on the farm.	Agree	Strongly Agree	Disagree	Strongly Disagree
There is sufficient financial support from government.	Agree	Strongly Agree	Disagree	Strongly Disagree
The level of mentorship is high.	Agree	Strongly Agree	Disagree	Strongly Disagree
The level of farming skills is reasonable.	Agree	Strongly Agree	Disagree	Strongly Disagree
Business skills are important in managing cooperatives	Agree	Strongly Agree	Disagree	Strongly Disagree
Finances are properly managed	Agree	Strongly Agree	Disagree	Strongly Disagree

**SECTION C: OPEN ENDED QUESTIONS**

Briefly explain the following in relation to your job

My reasons why our project collapsed	
The effect of conflicts on daily operations of cooperatives.	
My view of what would have saved our project from collapse	

**MBA RESEARCH: QUESTIONNAIRE FOR COOPERATIVE EXECUTIVES ON THEIR COMPETENCY TOWARDS MANAGING AN AGRICULTURAL COOPERATIVE**

PURPOSE

The purpose of this questionnaire is to gather information with regard to the level of competency that executive members of cooperatives have and to analysis how equipped they are.

CONFIDENTIALITY

Your answers to the questions will be held under strict confidentiality.

INSTRUCTIONS

This questionnaire consists of three sections. In the first section you will tell us about yourself without revealing your identity. The second section will use your provided information to analyse the level of competency cooperative executives have. The last section will allow you to answer questions on an open bases which will help us to draw up recommendations.

QUESTIONNAIRE FOR COOPERATIVE EXECUTIVES				
SECTION A: DEMOGRAPHIC INFORMATION				
Please mark appropriate area with X				
Gender	Male		Female	
Age category	18-25	25-35	35-45	45-70
Cooperative				
Farming experience	0 years	1-2 years	2-5years	5-10years
Educational background	Less than high school	High school	College diploma	University degree
QUESTIONNAIRE FOR COOPERATIVE EXECUTIVE MEMBERS				
SECTION B: COMPETENCY OF COOPERATIVE EXECUTIVES				
<ul style="list-style-type: none"> <li>✓ If you feel that the statement is much more than expected in relation to your competency mark, Excellent</li> <li>✓ If you feel that the statement is what is expected in relation to your competency then mark, Good</li> <li>✓ If you feel the statement is less than expected in relation to your competency then</li> </ul>				

<p>mark, Satisfactory</p> <p>✓ If you feel the statement is much less than expected in relation to your competency then mark, Poor</p>				
Skills in managing a cooperative	poor	satisfactory	good	excellent
Skills in conflict management	poor	satisfactory	good	excellent
Skills in financial literacy	poor	satisfactory	good	excellent
Understanding cooperative legislation	poor	satisfactory	good	excellent
Record keeping skills	poor	satisfactory	good	excellent
Ability to read and write	poor	satisfactory	good	excellent
Conflict management skills	poor	satisfactory	good	excellent
Agricultural knowledge	poor	satisfactory	good	excellent
<b>SECTION C: OPEN ENDED QUESTIONS</b>				
What factors made it hard for you to ensure success of your cooperative				
To what extent does the training provided enable you to be competent in				

what you are doing	
To what extent does the mentorship support help in sustaining your cooperative	
What could be done to save the cooperative from collapsing in future	

Skills in cooperative administration	poor	satisfactory	good	excellent
Ability to relate with farmers	poor	satisfactory	good	excellent
Ability to speak farmers language	poor	satisfactory	good	excellent
Mentorship support you provide	poor	satisfactory	good	excellent
Ability to solve farmers problems	poor	satisfactory	good	excellent
Agricultural	poor	satisfactory	good	excellent

skills				
Specific skills for crop in production	poor	satisfactory	good	Excellent
SECTION C: OPEN ENDED QUESTIONS				
What skills trainings have you done post your graduate qualification				
To what extend does the skills you have contribute to the success of cooperative				
How frequent do you visit the projects allocated to you				
What do you think causes agricultural cooperative to collapse				



**MBA RESEARCH: QUESTIONNAIRE FOR COOPERATIVE EXTENSION OFFICERS, MENTORS AND FUNDING INSTITUTIONS ON FACTORS CONTRIBUTING THE COLLAPSE OF AGRICULTURAL COOPERATIVES**

PURPOSE

The purpose of this questionnaire is to gather information with regard to why cooperatives collapse. Through an analysis of the collected information we will be able to have a general conclusion as to why cooperatives fail. The data will then be used to assist policy makers in strategies that may aid in cooperative sustainability in South Africa.

CONFIDENTIALITY

Your answers to the questions will be held under strict confidentiality.

INSTRUCTIONS

This questionnaire consists of three sections. In the first section you will tell us about yourself without revealing your identity. The second section will use your answers as an analysis tool of why your cooperative collapsed. The last section will allow you to answer questions on an open bases which will help us to draw up recommendations.

QUESTIONNAIRE FOR COOPERATIVE MEMBERS				
SECTION A: DEMOGRAPHIC INFORMATION				
<i>Please mark the appropriate answer with an X</i>				
Agricultural service working experience	0 years	1-2 years	2-5years	5-10years
Sector representation	Government Extension officer	Private farm mentor	Government /state funder	private funder
SECTION B: ANAYLISIS OF CAUSES OF COLLAPSE OF COOPERATIVES				
✓ State to what extent do you agree or disagree with the provided statements. Mark your responses with an "X" in the appropriate boxes.				
Farmers are well organised into a formal structure.	Agree	Strongly Agree	Disagree	Strongly Disagree
Farmers hold	Agree	Strongly Agree	Disagree	Strongly

regular constructive meetings.				Disagree
The Executive Committee is functional.	Agree	Strongly Agree	Disagree	Strongly Disagree
There is production on the farm.	Agree	Strongly Agree	Disagree	Strongly Disagree
There is sufficient financial support from government/Private sector	Agree	Strongly Agree	Disagree	Strongly Disagree
The level of mentorship is high.	Agree	Strongly Agree	Disagree	Strongly Disagree
The level of farming skills is reasonable.	Agree	Strongly Agree	Disagree	Strongly Disagree
Business skills are important in managing cooperatives	Agree	Strongly Agree	Disagree	Strongly Disagree
Finances are properly managed	Agree	Strongly Agree	Disagree	Strongly Disagree
SECTION C: OPEN ENDED QUESTIONS Briefly explain the following in relation to your job				
My reasons cooperative projects collapse				
The effect of conflicts on daily operations of cooperatives.				
My view of what would have saved our project from collapse				

To what extend does the training provided enable you to be competent in what you are doing	
To what extend does the mentorship support help in sustaining your cooperative	
What could be done to save the cooperative from collapsing in future	

Skills in cooperative administration	poor	satisfactory	good	excellent
Ability to relate with farmers	poor	satisfactory	good	excellent
Ability to speak farmers language	poor	satisfactory	good	excellent
Mentorship support you provide	poor	satisfactory	good	excellent

Ability to solve farmers problems	poor	satisfactory	good	excellent
Agricultural skills	poor	satisfactory	good	excellent
Specific skills for crop in production	poor	satisfactory	good	Excellent



SECTION C: OPEN ENDED QUESTIONS

What skills trainings have you done post your graduate qualification	
To what extend does the skills you have contribute to the success of cooperative	
How frequent do you visit the projects allocated to you	
What do you think causes agricultural cooperative to collapse	



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18 October 2016

M.B Diale (200900738)  
TURFLOOP GRADUATE SCHOOL OF LEADERSHIP  
MASTER OF BUSINESS ADMINISTRATION

Dear MB Diale,

#### FACULTY APPROVAL OF PROPOSAL


I have pleasure in informing you that your Masters proposal served at the Faculty Higher Degrees Committee meeting on **05 October 2016** and your title was approved as follows:

*"Factors contributing to the collapse of Agriculture Cooperatives in Sekhukhune District Municipality, Limpopo Province".*

Note the following: The study

Ethical Clearance	Tick One
Requires no ethical clearance Proceed with the study	
Requires ethical clearance (Human) (TREC) (apply online) Proceed with the study only after receipt of ethical clearance certificate	✓
Requires ethical clearance (Animal) (AREC) Proceed with the study only after receipt of ethical clearance certificate	

Yours faithfully

  
24/10/2016

Prof MP Sebola

Chairperson: Faculty Higher Degree Committee

CC: Prof MM Kanjere, Programme Manager and Supervisor, and Prof M.X Lethoko, Director of School.