3rd ANNUAL REPORT ON

Cooperatives in the agriculture, forestry and fisheries sector

2013/14

DIRECTORATE COOPERATIVE AND ENTERPRISE DEVELOPMENT

agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

3rd ANNUAL REPORT ON

Cooperatives in the agriculture, forestry and fisheries sector

2013/14

DIRECTORATE COOPERATIVE AND ENTERPRISE DEVELOPMENT

2014

Published by

Department of Agriculture, Forestry and Fisheries
Private Bag X250
PRETORIA
0001 South Africa

Contents

List of Tables

List of Figures

Acronyms

CASP	Comprehensive Agricultural Support Programme
CODAS	Cooperative Data Analysis System
DAFF	Department of Agriculture, Forestry and Fisheries
dti	Department of Trade and Industry
DRDLR	Department of Rural Development and Land Reform
ILO	International Labour Organisation
IPAP	Industrial Policy Action Plan
NGP	National Growth Path
PICC	Presidential Infrastructure Coordinating Committee
PWD	People with disabilities
PTO	Permission to occupy
SIP	Special Infrastructure Programme
SMFE	Small and Medium Forest Enterprise

Executive summary

The 2013/14 Annual report on cooperatives in the sector covers activities relating to cooperatives during the 2013/14 financial year. It examines the contribution of cooperatives to development using key indicators such as employment, economic performance and access to market. The analysis performed in this report is based on 1443 cooperatives profiled and captured on the Cooperative Data Analysis System (CODAS).

According to this report, the province of KwaZulu Natal has the highest concentration of cooperatives at 362. Limpopo comes second with 268 cooperatives and the Western Cape with the least number of cooperatives at 40. In terms of sub sectors, 97.6% of cooperatives fall within the agricultural sub sector while 2.3% are involved in fisheries related activities. Only one cooperative has been found to be engaged in forestry related activities.

In terms of commodities, 340 cooperatives (24%) are into vegetable production. This is followed by poultry producing cooperatives at 310 (21%). Four percent (4%) of cooperatives surveyed which amounts to 60 cooperatives are involved in value adding/agro-processing and marketing activities. This number has increased from 27 in the previous financial year, 2012/13.

A total of 35 799 smallholder farmers are members of cooperatives in the sector. Of this number, fifty four percent (54%) comprise of females. In terms of job creation, the report indicate that 7018 job opportunities were created in 2013/14 (4 886 permanent and 2 132 seasonal). An amount of R 51 002 010 was invested by DAFF to 33 cooperatives in a form of grants in 2013/14. A further R 7 775 580 was invested by other institutions such as the Department of Trade and Industry also in a form of grants. In return, cooperatives had a combined turnover of R 134 593 521 in 2013/14.

In terms of loans, DAFF has invested R7 205 022 in 32 cooperatives in a form of production loans through MAFISA. A further R 15 223 733 was invested in cooperatives by other institutions in a form of loans. Members of cooperatives have invested an amount of R 8 509 999 in their cooperatives as equity or own contribution. With land being a major production resource, the report indicates that 300 cooperatives have Title Deeds to their land and 127 have lease agreements.

Access to markets remains a challenge for cooperatives in the sector. According to this report, 195 cooperatives (13.5%), have access to formal markets. Sixteen (16) of these are selling to the retail chain supermarkets such as the Spar, Shoprite, Cambridge, Boxer and Pick ‘n pay. Six (6) cooperatives have contracts to supply hospitals with fresh vegetables. Eleven (11) cooperatives are supplying the National Fresh produce markets.

To improve access to markets, DAFF continues to promote and support establishment of commodity based cooperatives for collective marketing of smallholder produce. Provision of training and capacity development will also be heightened to strengthen cooperatives to ensure that they are able to manage their activities effectively and efficiently.

1. Background

Demand from consumers in emerging economies is increasing, population continues to grow, and any further need for energy supplies will place additional demands on the food system. Food price volatility may increase owing to stronger linkages between agricultural and energy markets, as well as an increased frequency of weather abnormalities, moving in tandem with unstable financial and equity markets. According to the State of Food Insecurity in the World (2011), food price volatility and high food prices are likely to continue in the years ahead.

Small-scale producers in many developing countries were not able to reap the benefits of high food prices during the 2007/08 food price crisis. The opportunity that high food prices could have provided as a pathway out of poverty for small producers in developing countries was not realised. Yet, evidence shows that strong rural organisations such as cooperatives are able to resist shocks. When they are strong and supported by a conducive policy environment, cooperatives can provide a full range of services to small producers and they are able to play a greater role in meeting the growing demand for agricultural produce on local, national, and international markets. Small producers can also have some influence over the policy and programmes that affect their lives.

Small-scale aquaculture producers in developing countries are facing new opportunities and challenges relating to market liberalisation, globalisation and increasingly stringent quality and safety requirements for aquaculture products, making it more difficult for small-scale producers to access markets. Collective action through the cooperative business model can provide an effective mechanism to assist small-scale producers to overcome these challenges and contribute to and influence modern market chains and trade. Cluster management used to implement appropriate better management practices can be an effective tool for improving aquaculture governance and management in the small-scale farming sector, enabling farmers to work together, improve production, develop sufficient economies of scale and knowledge to participate in modern market chains, increase their ability to join certification schemes, improve their reliability of production and reduce risks such as disease.

Small and Medium Forest Enterprises (SMFEs) contribute to poverty reduction for rural and urban people and provide a diverse range of food, energy, medicines, materials and culturally important goods. These businesses can be promising avenues for economic development and resource conservation if they practise sustainable forest management. Moving SMFEs from opportunistic entrepreneurs to economically viable businesses, however, requires an enabling environment with laws and policies that promote legal access to the resource base and incentives for sound forest management. Many businesses need support to add value to the products they deal in and to manage the resources required for effective forest and business management.

Over the last few years, the world has witnessed a growing interest in cooperatives, which culminated in the International Year of Cooperatives 2012 by the United Nations, acknowledging the importance of cooperatives. Despite this growing interest, the real economic dimensions of cooperatives are still obscure. An accurate account of the economic impact of cooperatives is required to demonstrate that these enterprises are neither small nor marginal organisations.

The Cooperative Data Analysis System (CODAS) has been developed to assist the department to determine the economic impact of cooperatives in the sector. The main objective of this report is to raise the profile of cooperatives in the sector and demonstrate the economic and social importance of these institutions.

2. Purpose of the report

This report examines the contribution of cooperatives in promoting full and productive employment and identifies opportunities and initiatives for upscaling and broadening the potential of cooperatives in employment creation. It reflects the status of cooperatives in the sector, using key economic indicators such as the economic performance and employment opportunities created.

3. Data collection methodology

The choice of any method for collecting data depends on the variables to be measured and the available source and resources available. For management purpose, data collection should be conducted at sufficiently frequent intervals. In order to achieve the objectives of this report, data has been collected from primary sources through field visits to cooperatives. In order to maximise return rates, a questionnaire has been designed, which is as basic and clear as possible, with targeted sections and questions. In contrast to interviews, in which an enumerator poses questions directly, questionnaires refer to forms filled in by respondents on their own.

The questionnaires are made available to provincial departments of agriculture for use to collect data of the cooperatives they work with. Data on newly established cooperatives as well as updates on existing cooperatives are collected by the provinces. Completed questionnaires are forwarded to DAFF for capturing on the cooperative system from which the analyses were made to produce this report.

4. Cooperatives on CODAS and their geographic spread

The analysis performed to generate this report are based on 1 443 cooperatives captured on CODAS. The table on the next page indicates the distribution (according to province) of these cooperatives. The province of KwaZulu-Natal has the majority of cooperatives (362), followed by Limpopo with 261 cooperatives.

TABLE 1 Number of cooperatives according to provinces

Province	Number of cooperatives		Cumulative increase
	2012/13	2013/14	
Eastern Cape	139	30	169
Free State	53	11	64
Gauteng	57	14	71
KwaZulu-Natal	340	22	362
Limpopo	200	68	268
Mpumalanga	126	45	171
Northern Cape	70	35	105
North West	170	23	193
Western Cape	34	6	40
Total	1 189	254	1 443

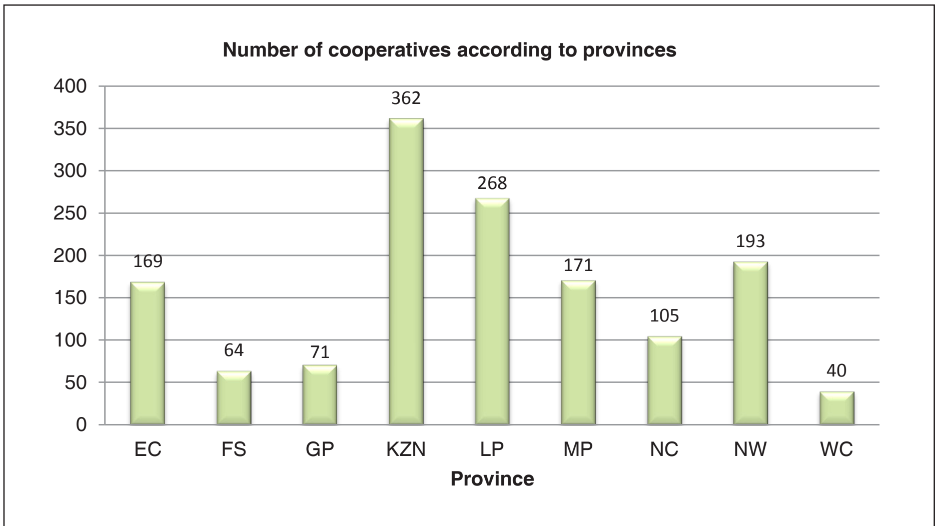

FIG. 1 Number of cooperatives according provinces

4.1 Subsectors

DAFF comprise of three subsectors, *viz*. agriculture, forestry and fisheries. In each of the subsectors, cooperatives have a role to play to assist smallholder farmers, small-scale timber growers and small-scale fishers with collective input procurement and marketing of their products. The table below indicates the number of cooperatives in each subsector. Accordingly, the agriculture subsector dominates the other subsectors with only one cooperative in the forestry subsector.

TABLE 2 Number of cooperatives according to subsector

Province	Agriculture	Fisheries	Forestry
Eastern Cape	166	3	0
Free State	58	6	0
Gauteng	71	0	0
KwaZulu-Natal	362	0	0
Limpopo	265	3	0
Mpumalanga	170	1	0
North West	191	1	1
Northern Cape	105	0	0
Western Cape	21	19	0
Total	1 409	33	1

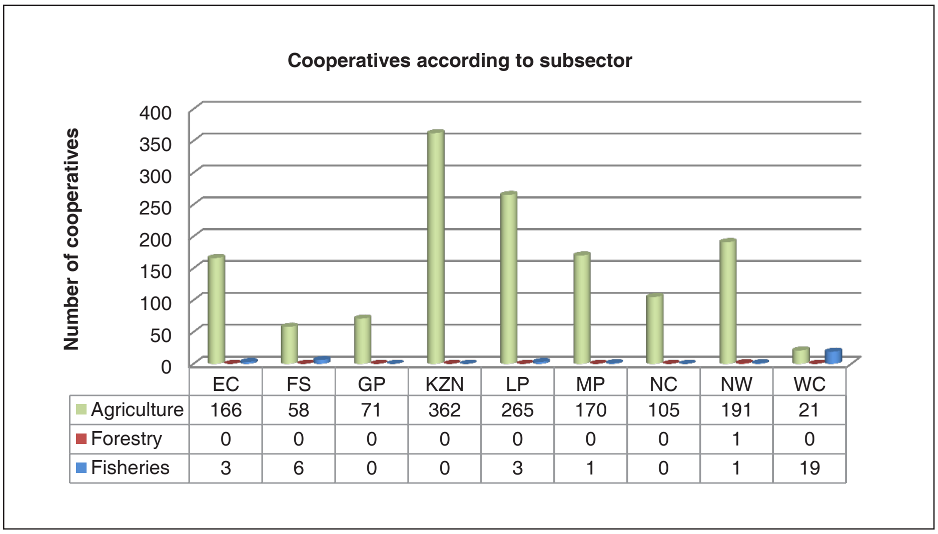

FIG. 2 Number of cooperatives according to subsector

Table 2 indicates that 97,6% of cooperatives are into agriculture and 2,3% are involved in fisheries. Only one cooperative is involved in timber production. The Directorate: Cooperatives and Enterprise Development is collaborating with the Directorate: Small Scale Forestry to run awareness on cooperative development in the forestry sector.

4.2. Number of cooperatives according to levels

The uniqueness of a cooperative as a business entity is seen from its multiple-tier structure while other businesses are structured according to the preferences of owners. According to the Cooperatives Act of 2012 (as amended), the cooperative system in South Africa is organised into a four-tier pyramidal structure of national apex, tertiary, secondary and primary cooperatives. This pyramidal structure is adopted by cooperative movements worldwide.

Secondary cooperatives are a form of vertical integration providing the opportunity for economies of scale, scope for development and improved administration. This form of cooperative plays a crucial role in providing market access for primary cooperatives and through the secondary cooperatives, primary cooperatives are enabled to organise huge business operations without detriment to the democratic control of the primary co-operatives by their own members. The secondary cooperative can, because of its larger volume of business or its wider representational base, undertake functions, provide services, and make representations, which would be beyond the capacity of all but the very largest primary co-operatives.

In an effort to improve agro-logistics and rural infrastructure as dictated by the Presidential Infrastructure Coordinating Committee (PICC), the Strategic Integrated Programme 11 (SIP 11) proposes seven intervention areas, which include creation of fresh produce marketing depots in rural areas. Secondary cooperatives can play a crucial role in coordinating food producers and managing the marketing depots, hence DAFF is currently promoting the establishment of secondary commodity-based cooperatives as a mechanism to resolve the issue of lack of market access by smallholder farmers.

TABLE 3 Number of cooperatives according to levels

Province	Forms of cooperatives			
	Primary	Secondary	Tertiary	Apex
Eastern Cape	163	6	0	0
Free State	64	0	0	0
Gauteng	67	4	0	0
KwaZulu-Natal	361	1	0	0
Limpopo	266	2	0	0
Mpumalanga	166	5	0	0
Northern Cape	105	0	0	0
North West	192	1	0	0
Western Cape	39	1	0	0
Total	1 423	20	0	0

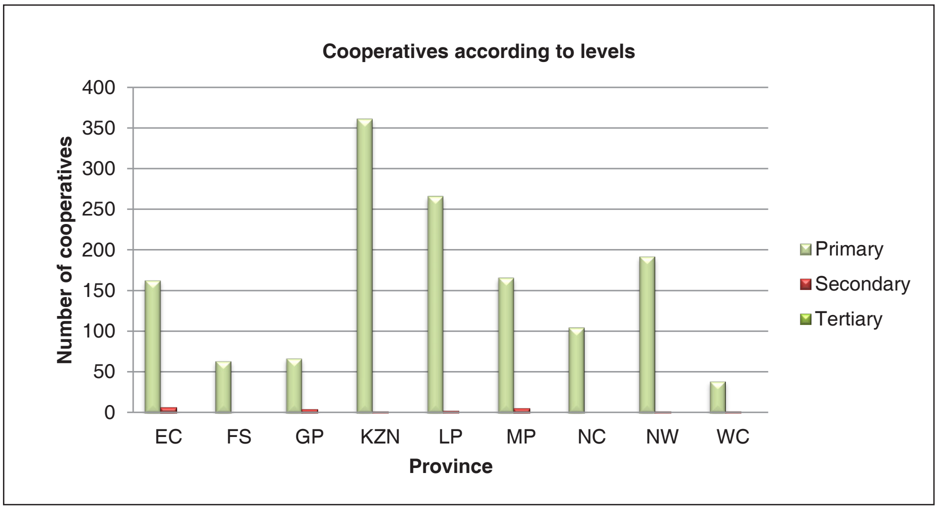

FIG. 3 Number of cooperatives according to level

According to Table 3 above, 1 423 cooperatives have been formalised as primary with the remaining 20 formalised as secondary level cooperatives.

The fact that there are no cooperatives formalised as tertiary in the sector according to this report does not necessarily indicate that there are no such cooperatives in the country. If there are such cooperatives, no data was available at the time of compiling this report.

5. Commodities

TABLE 4 Number of cooperatives according to commodities

Commodity	Provinces									Total
	EC	FS	GP	LP	MP	NC	NW	KZN	WC	
Beekeeping	0	0	0	3	0	0	0	1	0	4
Crops	66	4	4	70	31	5	41	56	1	278
Flowers	0	0	1	1	0	0	0	0	0	2
Fruit	1	0	0	5	2	0	3	3	1	15
Herbs	0	0	1	0	0	0	0	0	0	1
Input supply	2	2	0	10	3	1	4	2	0	24
Livestock	9	21	7	23	23	78	56	38	4	259
Mixed farming	19	8	0	4	13	0	29	28	0	101
Poultry	20	9	17	76	36	12	25	112	3	310
Marketing/ value adding/ processing	6	2	13	13	8	3	3	6	6	60
Sugar cane	0	0	0	0	0	0	0	9	0	9
Vegetables	42	12	28	61	43	6	29	107	6	340
Wool	1	0	0	0	0	0	0	0	0	1
Cotton	0	0	0	0	10	0	0	0	0	10
Fisheries	3	6	0	2	2	0	2	0	19	34
Forestry							1			1
Total	169	64	71	268	171	105	193	362	40	1 443

Table 4 above provides analysis of cooperatives according to commodities in the provinces. The table shows that 24% (340) of cooperatives are involved in the primary production of vegetables and the majority of these are found in the province of KwaZulu-Natal. Poultry production is the second most dominant commodity at 310, constituting 21%. In terms of livestock production, there are 259 cooperatives (17,9) and 56 of these are found in the North West Province.

Vegetable producing cooperative in the Western Cape

6. Cooperatives in primary production vs marketing and value adding/processing

Upscaling agro-processing and marketing is one of the priority areas identified as part of the programme to create employment in terms of the New Growth Path (NGP). The Industrial Policy Action Plan 2 (IPAP2) has also recognised agro-processing as a sector with job multiplier effect. Agro-processing not only stimulates value addition but also generates direct and indirect employment, particularly in rural areas to absorb the surplus workforce. A number of studies have indicated the potential of this sector as far as value addition and employment generation are concerned.

The drive within DAFF is to encourage smallholder farmers to engage in value adding and agro-processing activities through cooperatives. This will ensure that they are able to realise higher returns on their products than selling them raw.

Peanut butter processed and packaged by Thohoyandou Cooperative on the shelves of the Thohoyandou Spar supermarket

TABLE 5 Production vs marketing/processing

Province	Primary production	Secondary production
Eastern Cape	163	6
Free State	62	2
Gauteng	58	13
KwaZulu-Natal	356	6
Limpopo	255	13
Mpumalanga	163	8
North West	190	3
Northern Cape	102	3
Western Cape	34	6
Total	1 383	60

According to Table 5 above, 4% (60) of the cooperatives on CODAS are involved in marketing and agro-processing activities. This figure is up from 2% in 2012/13. A number of secondary cooperatives have been facilitated in the 2013/14 financial year to coordinate marketing of vegetables and fruit produced by primary cooperatives through the School Nutrition Programme, mainly in Mpumalanga.

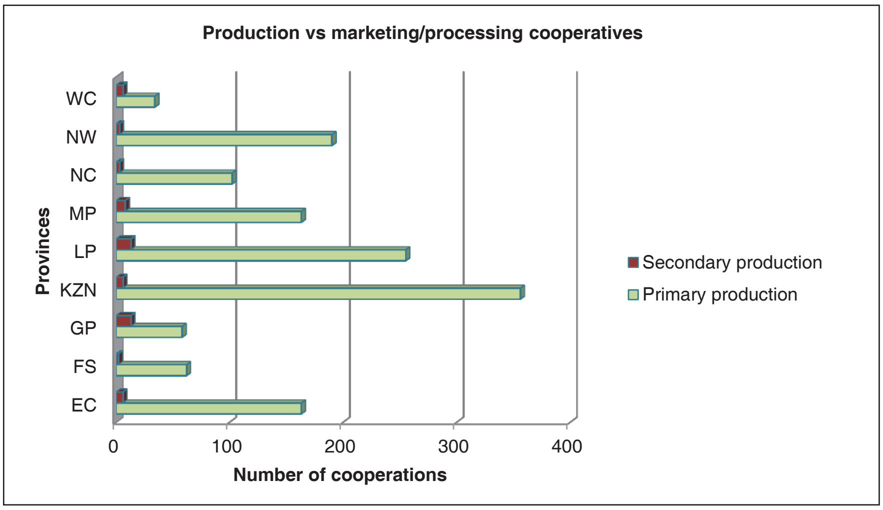

FIG. 4 Production vs marketing/processing cooperatives

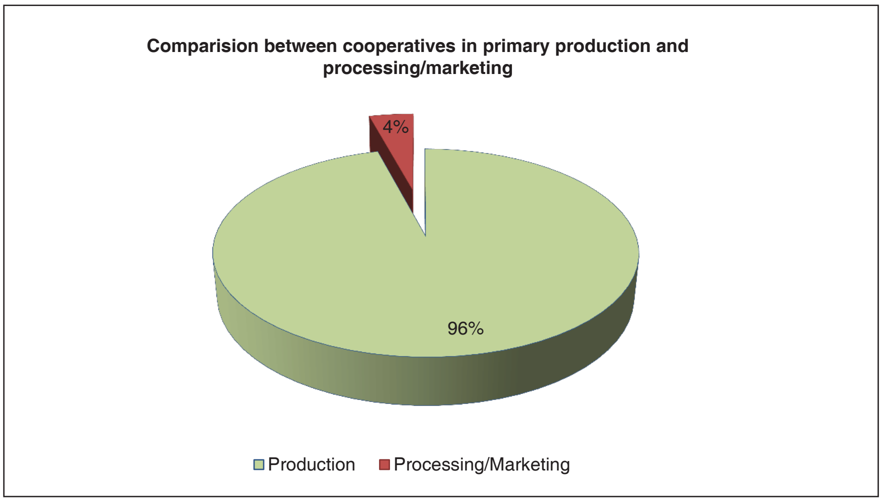

FIG. 5 Comparison between cooperatives in primary production and processing/marketing

7. Membership

Indeed, the existence of members is one of the major differences between cooperatives and any other type of enterprise. Members are, at the same time, the basis and justification of cooperative enterprises. This issue deserves specific and educational communication efforts. If all members have the same voting rights in the cooperative's general meeting, this feature imposes an obligation to communicate and explain the place of each member in this original system. Members therefore exercise a major influence on the governance systems, as they elect, from among their number, the local and national representatives. Cooperatives are producing volumes.

Cooperative members

The underlying assumption is that the more members a cooperative has, the greater volumes it will be able to produce. The table on the next page is an illustration of the number of individuals who belong to cooperatives in the agriculture, forestry and fisheries sector in South Africa.

TABLE 6 Number of members of cooperatives

Province	Total	Male	Female	Youth	Disabled people
Gauteng	1 027	456	571	259	44
Eastern Cape	8 204	3 475	4 729	1 043	111
Free State	937	502	435	146	4
Mpumalanga	4 626	1 915	2 711	470	37
Limpopo	8 131	4 843	3 288	638	90
Northern Cape	1 674	761	913	239	9
Western Cape	459	290	169	32	1
KwaZulu-Natal	7 589	2 554	5 035	1 043	67
North West	3 152	1 645	1 507	324	31
Total	35 799	16 441	19 358	4 194	394

According to Table 6, the 1 443 cooperatives surveyed in this report have a combined membership of 35 799 which is constituted by 54% (19 358) females with slightly less than 2% youth. Cooperatives in the sector have difficulty attracting young people and are usually made up of elderly people.

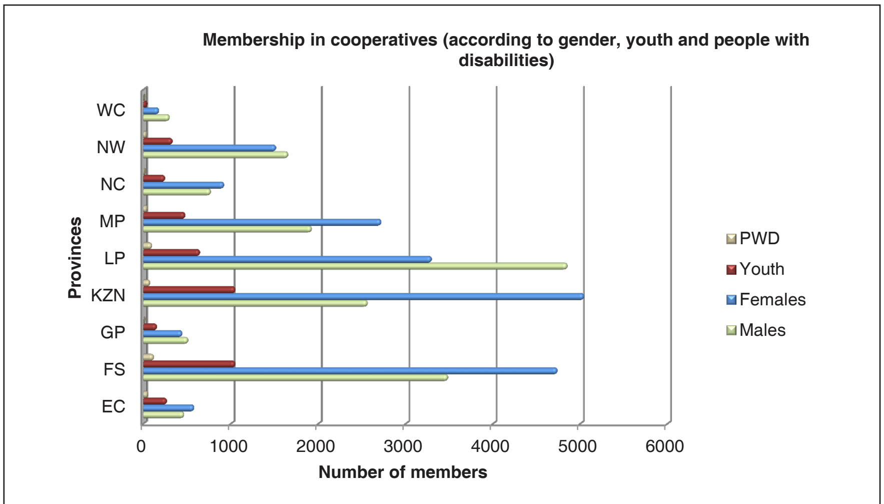

FIG. 6 Membership in cooperatives (according to gender, youth and disabled people)

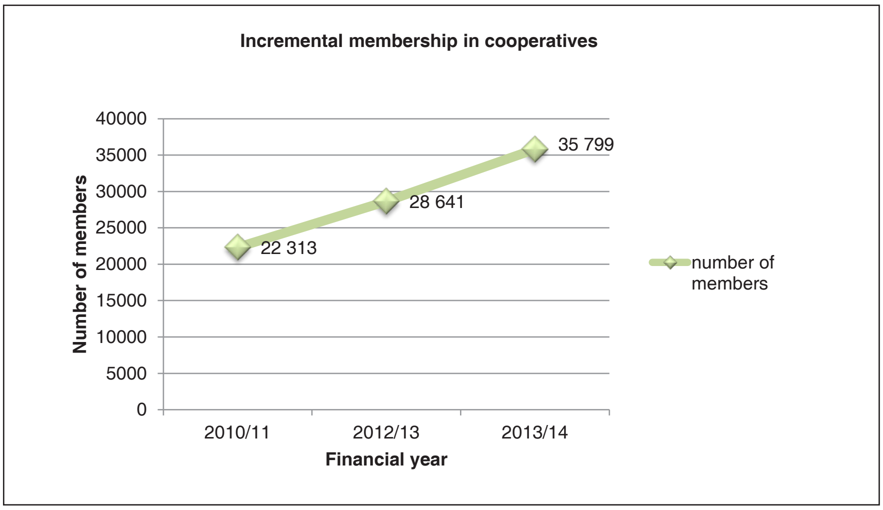

FIG. 7 Incremental membership in cooperatives

Fig. 7 shows that there has been an incremental value in the number of members belonging to cooperatives in the sector between the 2010/11 and 2013/14 reports.

8. Management of cooperatives

The board of cooperatives is accountable to members for the managers they appoint. Boards have to recruit managers with the appropriate competencies required to manage the cooperative. Managers so appointed, must also reflect and reinforce cooperative values and principles. The board of directors must have the capacity to evaluate the required competencies of a manager for the cooperative, including the manner in which and time that a cooperative manager reflects and reinforces cooperative values and principles.

However, studies have indicated that cooperatives, particularly those in the agricultural, forestry and fisheries sectors, have difficulty in attracting suitably qualified managers and this could be attributed to the nature of the sector and the perceived low emoluments offered by the sector.

8.1. Number of cooperatives with managers

The table below indicates the number of cooperatives with full-time managers to run their affairs.

TABLE 7 Cooperatives with managers

Province	Financial year		Variance
	2012/13	2013/14	
Eastern Cape	78	85	7
Free State	23	30	7
Gauteng	35	46	11
KwaZulu-Natal	115	125	10
Limpopo	68	79	11
Mpumalanga	76	91	15
Northern Cape	5	7	2
North West	40	42	2
Western Cape	16	21	5
Total	456	526	70

8.2. Summary of cooperatives with managers

TABLE 8 Analysis of cooperative managers according to gender, youth and people with disabilities

Number of cooperatives	Male	Female	Youth	Disabled people
526	297	229	15	3

Although this report indicates that 54% of members of cooperatives are females, they are in the minority when it comes to managerial positions. Out of the 526 cooperatives with full-time managers, 43% of the managers are females in contrast to the total number of managers. Less than one percent of the managers are made up of youth.

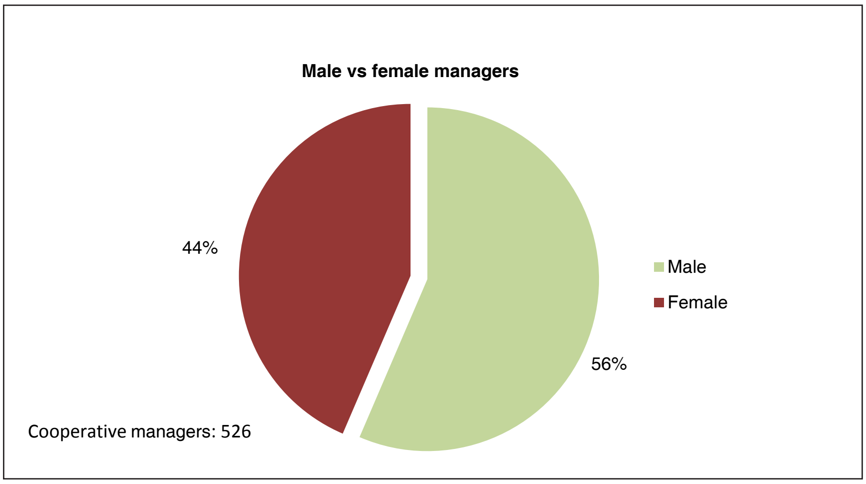

FIG. 8 Analysis of cooperative managers according to gender

8.3. Level of education of managers

The table that follows illustrates the level of education of the various managers of cooperatives included in this report. The level of education has been categorised as primary (Grade 0–7), secondary (Grade 8–12), tertiary and those with specialised skills such as poultry production, animal (livestock) production, plant production, etc.

TABLE 9 Level of education of cooperative managers

Level of education	Number of managers		Variance
	2012/13	2013/14	
Primary	37	51	14
Secondary	226	234	8
Tertiary	73	91	18
Specialised	44	32	12
Not specified	76	118	42
Total	456	526	70

It is of significance to note that 17% (91) of the individuals managing cooperatives have tertiary education background as compared to 44% (234) who have a secondary education.

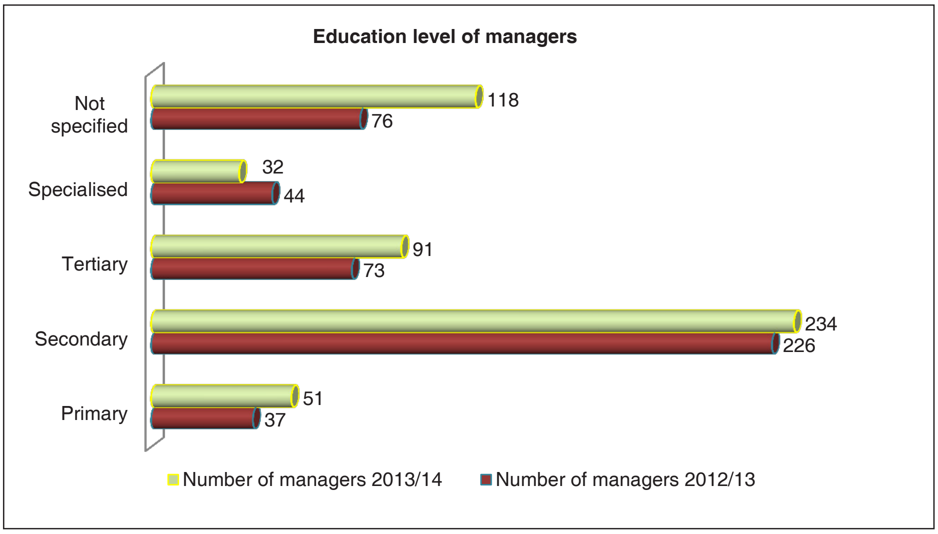

FIG. 9 Level of education of cooperative managers

9. Training and capacity development

International experiences have shown that farmers' cooperatives and associations can play important roles in rural communities, and as such, supporting the establishment and capacity building of farmers' cooperatives were identified as important components of rural development. Capacity building and training in the field of cooperatives is critical to strengthen the movement. In many African countries, cooperative apex organisations, cooperative colleges and other cooperative support agencies are unable to meet the needs of more market-based cooperatives. The lack of support for education and training is hampering the development of modern and more efficient cooperatives. To develop sustainable cooperatives, appropriate high-quality cooperative education is essential.

For the purposes of this report, six competencies that have been identified as having a bearing on the effectiveness and efficiency of cooperatives were used to determine the level of capacity of cooperatives. Table 10 on the next page analyses the number of cooperatives that have received training in the six competencies identified. From Table 10 on the next page, it could be seen that cooperatives continue to receive training and capacity development in the areas listed in the table. According to the report, 110 cooperatives were trained using the Farmtogether Cooperative Training Programme in 2013/14.

Participants undergoing Farmtogether cooperative training in KwaZulu-Natal

TABLE 10 Training and capacity development in cooperatives

	Capacity building in cooperatives											
	Financial management		Cooperative governance		Marketing		Planning and controls		Business management		Farmtogether	
Province	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
Eastern Cape	54	20	11	15	54	15	36	6	64	3	44	8
Free State	20	25	5	6	11	17	4	5	0	3	4	12
Gauteng	15	15	20	7	20	9	23	7	34	1	36	26
KwaZulu-Natal	77	74	58	51	38	79	48	45	5	19	101	0
Limpopo	67	14	32	5	42	1	24	11	2	0	28	3
Mpumalanga	13	14	8	7	14	13	10	0	0	0	86	21
Northern Cape	30	31	10	12	10	12	0	0	2	0	16	16
North West	20	18	9	9	17	16	8	12	1	3	0	8
Western Cape	20	1	1	1	0	0	0	0	19	0	3	16
Total	316	212	154	113	206	162	153	86	127	29	318	110

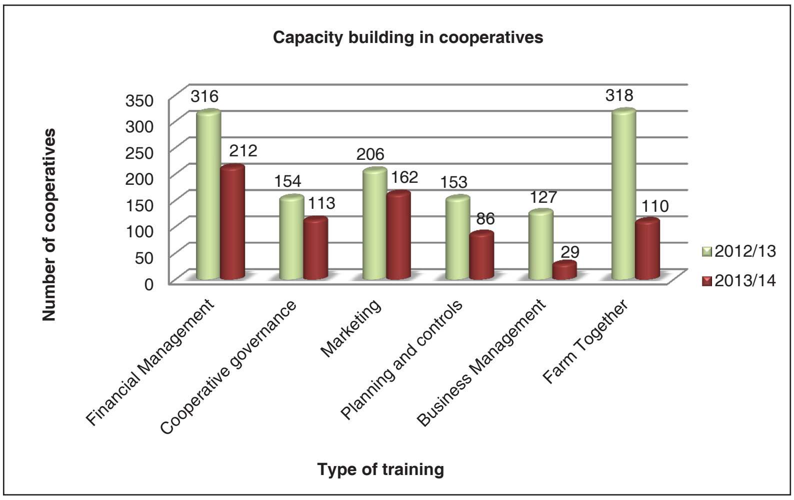

FIG. 10 Training and capacity development in cooperatives

10. Employment analysis

The role of cooperatives in employment creation has always been a major concern for the International Labour Organisation (ILO) and its constituents. The ILO Recommendation No. 127 of 1966 concerning the Role of Cooperatives in the Economic and Social Development of Developing Countries lists employment creation among the main objectives of cooperative development. It is for this reason that analysis of job opportunities created by cooperatives in the sector is provided.

It is important to underline that most cooperatives are not instruments of employment promotion, but enterprises that provide their members with economic services. This notwithstanding, "cooperative enterprises provide the organisational means whereby a significant proportion of humanity is able to take into its own the tasks of creating productive employment, overcoming poverty and achieving social integration". This report will demonstrate that cooperatives can effectively create and maintain self-employment in both the rural and urban areas of South Africa.

TABLE 11 Employment analysis in cooperatives

	Capacity building in cooperatives					
Nature of employment	Permanent			Part time/casual		
Financial year	2012/2013	2013/14	Variance	2012/13	2013/14	Variance
Eastern Cape	772	1 504	732	246	318	72
Free State	108	128	20	39	46	7
Gauteng	278	463	185	327	58	-269
KwaZulu-Natal	575	702	127	410	542	132
Limpopo	504	694	190	249	611	362
Mpumalanga	309	722	413	406	264	–142
Northern Cape	45	42	–3	34	15	–19
North West	179	461	282	186	196	10
Western Cape	115	170	55	207	82	–125
Total	2 885	4 886	1 893	2 104	2 132	28

TABLE 12 Three-year analysis of employment in cooperatives (2010/11, 2012/13 and 2013/14)

Employment type	2010/11	2012/13	2013/14
Permanent	1 858	2 885	4 886
Casual	981	2 104	2 132
Total	2 839	4 989	7 018

Table 12 shows that the number of job opportunities created by cooperatives has increased from 2 839 in 2010/11 to 7 018 in 2013/14. These figures include both permanent and seasonal job opportunities.

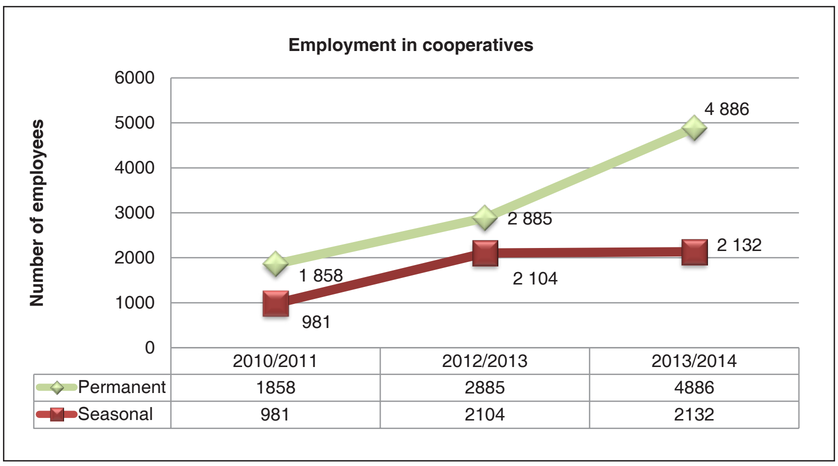

FIG. 11 Employment analysis in cooperatives

11. Financial performance

The task of measuring financial performance of cooperatives is made problematic by the attributes of the cooperative form of business. Most of the frequently used financial measures give an incomplete picture of a cooperative's performance. For the purposes of this report, financial performance of cooperatives is measured using annual turnover. Table 13 compares turnover for two financial years.

TABLE 13 Annual turnover by cooperatives

Province	Financial year		Cumulative
	2012/13	2013/14	
Eastern Cape	16 036 535	3 711 700	19 748 235
Free State	2 615 552	1 456 064	4 071 616
Gauteng	2100 000	9 112 000	11 212 000
KwaZulu-Natal	24 588 866	15 485 421	40 074 287
Limpopo	6 718 000	10 097 548	16 815 548
Mpumalanga	6 200 000	19 710 938	25 910 938
Northern Cape	1 460 104	563 632	2 023 736
North West	3 740 998	31 245 601	34 986 599
Western Cape	100 000	43 210 617	43 310 617
Total	63 560 055	134 593 521,00	198 153 576

According to Table 13 above, the annual turnover generated by cooperatives in the sector has been consistently growing as observed over a three year period. Between 2012/13 and 2013/14 there has been an increase of R134 593 521 in turnover by cooperatives in the sector. This could, to a certain extent, be attributed to improved data collection. Apart from this, the number of secondary cooperatives supplying schools with vegetables and fruit in provinces such as Mpumalanga, mainly, has improved the financial performance of cooperatives in the sector.

12. Investment in cooperatives

Like any other investor-owned enterprise, cooperatives are required to raise capital to finance their operations. The principle of "member economic participation" in cooperatives means that members of cooperatives contribute equitably towards the capital of their cooperatives. However, cooperatives are also permitted to raise funds from the mainstream financial institutions in the form of loans or grants/ donations from external organisations. This section focuses on the results of the analysis performed on the nature and amount of investment that went into cooperatives in the period under evaluation.

12.1 Investment through grants by DAFF

TABLE 14 Investment in cooperatives through grants by DAFF

Province	Number of cooperatives			Grant amount		
	2012/13	2013/14	Variance	2012/13	2013/14	Cumulative
Eastern Cape	30	32	2	7 718 472	9 653 703	17 372 175
Free State	17	20	3	11 323 976	990 000	12 313 976
Gauteng	4	8	4	1 950 000	460 000	2 410 000
KwaZulu-Natal	22	22	0	18 604 500	0	18 604 500
Limpopo	12	15	3	9 196 769	8 788 131	17 984 900
Mpumalanga	7	8	1	2 395 000	179 000	2 574 000
Northern Cape	5	5	0	1 372 500	0	1 372 500
North West	21	40	19	17 325 674	27 631 176	44 956 850
Western Cape	1	2	1	500 000	3 300 000	3 800 000
Total	119	152	33	70 386 891	51 002 010	121 388 901

12.2 Three-year summary of investment in cooperatives through grants by DAFF

TABLE 15 Three-year summary of investment in cooperatives through grants by DAFF

Financial year	Amount (R)
2010/11	35 128 478
2012/13	35 258 413
2013/14	51 002 010
Cumulative increase	121 388 901

Table 15 reflects the financial support received by cooperatives from DAFF (grants) through the CASP and Ilima/Letsema Programme. To date, 152 cooperatives have received financial support (grants) from DAFF totalling R121 388 901. An amount of R51 002 010 was disbursed in 2013/14 to 33 cooperatives.

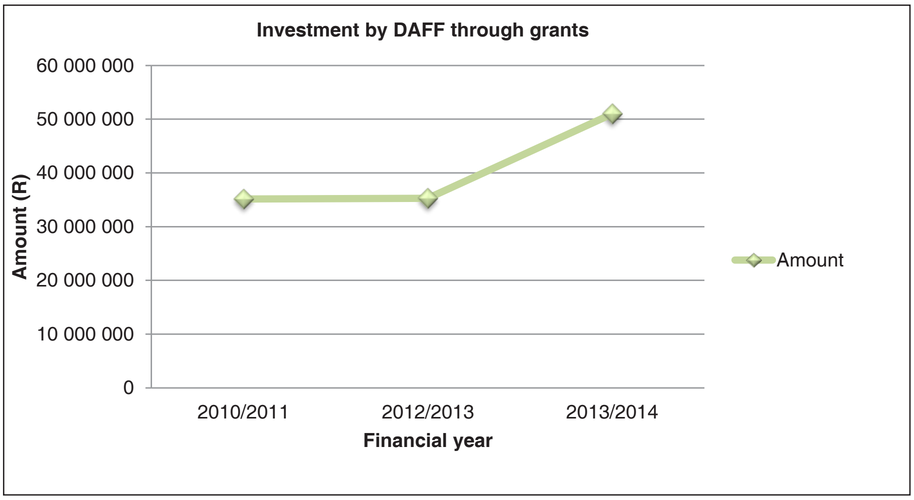

FIG.12 Investment in cooperatives through grants by DAFF (three-year summary)

FIG.12 Silos at Qamata Agricultural Cooperative in Cofimvaba (Eastern Cape) funded through CASP

12.3 Investment in cooperatives through grants by other institutions in the provinces

12.3.1 Eastern Cape

TABLE 16 Investment in cooperatives through grants by other institutions in the Eastern Cape

Name of institution	Number of cooperations	Grant amount (R)
dti	1	350 000
Total	1	350 000

12.3.2 Kwa-Zulu-Natal

TABLE 17 Investment in cooperatives through grants by other institutions in KZN

Name of institution	Number of cooperations	Grant amount (R)
Ithala Bank dti	1 20	32 000 6 408 580
Total	21	6 440 580

12.3.3 Limpopo

TABLE 18 Investment in cooperatives through grants by other institutions in Limpopo

Name of institution	Number of cooperations	Grant amount (R)
dti	1	135 000
Total	1	135 000

12.3.4 Northern Cape

TABLE 19 Investment in cooperatives through grants by other institutions in the Northern Cape

Name of institution	Number of cooperations	Grant amount (R)
dti	1	350 000
Department of Rural Development and Land Reform (DRDLR)	1	500 000
Total	2	850 000

12.4 Summary of institutions providing grant funding to cooperatives

TABLE 20 Summary of other institutions investing in cooperatives through grants

Name of institution	Number of cooperations	Grant amount (R)
DAFF	33	51 002 010
dti	22	6 893 580
DRDLR	1	500 000
Local government	1	350 000
Ithala Bank	1	32 000
Total	58	58 777 590

Table 20 shows that a total of 58 cooperatives have been supported financially to the amount of R58 777 590. This includes the 33 cooperatives that received grant funding from the DAFF. This is down from the R101 531 314 that cooperatives received in 2012/13.

12.4 Investment in cooperatives through loans

12.5.1 Investment in cooperatives through loans by DAFF

TABLE 21 Investment in cooperatives through loans by DAFF

Province	Number of cooperatives		Loan amount (R)	
Financial year	2012/2013	2013/14	2012/13	2013/14
Eastern Cape	2	0	433 278	0
Free State	1	2	10 000	335 100
Gauteng	0	3	0	552 054
KwaZulu-Natal	1	24	870 000	5 849 640
Limpopo	0	2	0	418 250
Mpumalanga	0	1	0	49 978
Northern Cape	0	0	0	0
North West	0	0	0	0
Western Cape	0	0	0	0
Total	4	32	1 313 278	7 205 022

Compared to 2012/13 during which four cooperatives were supported with loans amounting to R1 313 278, 32 cooperatives received production loans of R7 205 022 through Mafisa in 2013/14. Most of these (75%) were financed through the South African Sugar Association (SASA) in KwaZulu-Natal. These cooperatives are involved in the sugar industry as producers of sugar cane on a small scale.

12.5.2 Investment in cooperatives through loans by other institutions

TABLE 22 Investment in cooperatives through loans by other institutions in provinces

Province	Number of cooperatives	Loan amount (R)
Limpopo	1	1 700 000
Western Cape	1	13 523 733
Total	2	15 223 733

12.5.3 Summary of investment through loans by both DAFF and other institutions

TABLE 23 Summary of investments through loans by DAFF and other institutions

Number of cooperatives			
Year	DAFF	Other institutions	Amount
2012/13	4	0	1 313 278
2013/14	32	2	22 428 755

Table 23 makes comparisons between 2012/13 and 2013/14 with regard to loan funding to cooperatives in the sector. According to Table 23, four cooperatives were supported financially through Mafisa in 2012/13 and there was no record of loans by other institutions. In 2013/14, 34 cooperatives received financial support through loans, of which 32 were funded through Mafisa.

13. Equity in cooperatives

TABLE 24 Equity in cooperatives

Province	Number of cooperatives			Financial year (R)		
	2012/13	2013/14	Variance	2012/13	2013/14	Variance
Eastern Cape	139	169	30	375 810	459 810	84 000
Free State	53	64	11	94 290	99 290	5 000
Gauteng	57	71	14	59 425	62 300	2 875
KwaZulu-Natal	340	362	22	1 912 362	1932362	20 000
Limpopo	200	268	68	1 222 237	1619218	396 981
Mpumalanga	126	171	45	82 880	411 172	328 292
Northern Cape	70	105	35	263 060	267 060	4 000
North West	170	193	23	991 734	1 291 734	300 000
Western Cape	34	40	6	35 000	2 367 053	2 332 053
Total	1189	1443	254	5 036 798	8 509 999	3 473 201

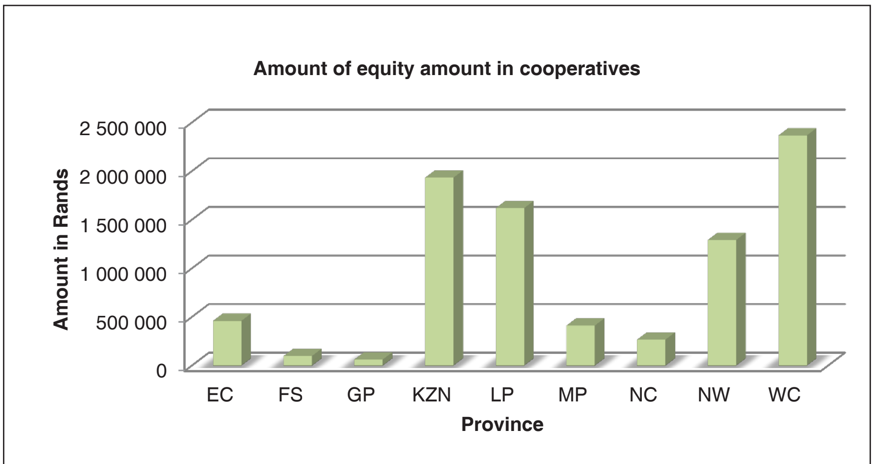

FIG.13 Equity amount in cooperatives

According to Table 24, a cumulative amount of R8 509 999 has been invested in cooperatives as equity by members to date. R3 473 201 was contributed in 2013/14 alone. This provides a platform for cooperatives in the sector to consider establishing cooperative financial institutions as a mechanism to mitigate lack of access to finance.

14. Compliance in cooperatives

The level of compliance in cooperatives was measured, using five key areas such as record keeping, annual financial audits, VAT compliance, profit tax and cooperative principles. Despite an observed improvement in the level of compliance in cooperatives measured, there is still a compelling need to assist cooperatives in the sector to attain levels of full compliance.

14.1 Compliance in cooperatives

TABLE 25 Compliance by cooperatives in the sector

Province	Compliance area	Number of cooperatives	
		2012/13	2013/14
Eastern Cape	Accounting and bookkeeping	37	66
	Annual financial audit	21	36
	VAT compliance	21	48
	Profit tax compliance	22	33
	Cooperative principles	28	43
Free State	Accounting and bookkeeping	27	36
	Annual financial audit	17	24
	VAT compliance	33	22
	Profit tax compliance	16	19
	Cooperative principles	24	28
Gauteng	Accounting and bookkeeping	18	24
	Annual financial audit	9	16
	VAT compliance	10	18
	Profit tax compliance	10	18
	Cooperative principles	23	31
Kwazulu-Natal	Accounting and bookkeeping	76	99
	Annual financial audit	52	68
	VAT compliance	53	75
	Profit tax compliance	51	69
	Cooperative principles	62	84
Limpopo	Accounting and bookkeeping	93	125
	Annual financial audit	70	87
	VAT compliance	63	85
	Profit tax compliance	81	101
	Cooperative principles	103	145
Mpumalanga	Accounting and bookkeeping	108	132
	Annual financial audit	96	114
	VAT compliance	76	126
	Profit tax compliance	115	113
	Cooperative principles	118	117
Northern Cape	Accounting and bookkeeping	8	11
	Annual financial audit	3	3
	VAT compliance	7	5
	Profit tax compliance	8	9
	Cooperative principles	15	19
North West	Accounting and bookkeeping	43	72
	Annual financial audit	40	61
	VAT compliance	42	66
	Profit tax compliance	37	66
	Cooperative principles	45	75
Western Cape	Accounting and bookkeeping	10	15
	Annual financial audit	1	15
	VAT compliance	4	15
	Profit tax compliance	0	15
	Cooperative principles	19	15

15. Classification according to operational status

Cooperatives on CODAS are classified according to their operational status in order to prioritise support. Nine categories have been identified under which the classification of cooperatives is made. The following are the categories according to which cooperatives are classified:

TABLE 26 Classification of cooperatives according to operational status

	Operational status								
Province	A	B	C	D	E	F	G	H	I
Eastern Cape	92	39	1	0	0	0	0	0	0
Free State	17	10	5	6	22	4	0	0	0
Gauteng	27	10	12	4	19	5	1	0	0
KwaZulu-Natal	113	119	25	9	60	50	0	0	0
Limpopo	122	57	13	10	49	19	1	0	0
Mpumalanga	54	80	22	0	14	5	0	0	0
Northern Cape	46	28	6	12	7	5	0	0	1
North West	83	47	13	2	32	19	2	0	0
Western Cape	12	6	2	1	19	1	0	0	0
Total	566	396	99	44	222	108	4	0	1

A: Operational and expanding
B: Operational and stable
C: Unstable with potential
D: Unstable with no potential
E: New and operational
F: Dormant with potential
G: Dormant with no potential
H: Liquidation
I: Closed

Table 26 shows that 39% of cooperatives are operational and expanding while 27% are operational and stable. There are about 108 cooperatives that have been classified as dormant but have the potential to be resuscitated. These are the cooperatives that have to be rehabilitated. Cooperatives in this category are prioritised for an in-depth analysis to determine the causes of them becoming dormant in order to craft intervention strategies to support them.

15.1 Comparison between 2012/13 and 2013/14

TABLE 27 Comparison of cooperatives according to operational status between 2012/13 and 2013/14

Year	Operational status								
	A	B	C	D	E	F	G	H	I
2012/13	412	353	107	30	171	121	10	0	0
2013/14	566	396	99	44	222	108	4	0	1
Variance	154	43	–8	14	51	–13	–6	0	1

16. landownership

Land is a major production resource and lack of control over this important resource has been a major limiting factor to smallholder farmers in South Africa. Ownership and easy access to farm inputs and services by cooperatives are essential to increase their productivity. The aim of this section is to illustrate the extent of landownership by cooperatives in the sector. Landownership (land rights) is generally defined by the land tenure system, which basically determines the ability of individuals to gain access to land as well as to security over its use. Landownership is different from ownership of other property in that it is the legal possession of certain rights and obligations. Although some of the rights may be held by the individual, others may be held by groups such as cooperatives.

TABLE 28 Nature of landownership by cooperatives

Province	Cooperatives with title deeds	Cooperatives with lease agreements	Cooperatives with permission to occupy (PTO)	Cooperatives with non-specified land-ownership	Size of land (ha)
Eastern Cape	20	8	30	107	23 240
Free State	22	24	8	11	6 886
Gauteng	15	16	1	40	171 315
KwaZulu-Natal	34	9	48	271	6 347
Limpopo	54	14	123	77	235 435
Mpumalanga	61	5	17	88	30 087
Northern Cape	14	8	44	39	52 174
North West	50	42	59	67	55 110
Western Cape	30	1	3	4	567
Total	300	127	333	704	581 161

According to Table 28 above, 300 cooperatives, constituting 21%, have title deeds to their land while 9% (127) have lease agreements. A further 333 (23%) have permission to occupy (PTO). This is a user right of a personal nature allowing the user either use or occupation rights over a certain rural unsurveyed piece of land. Of all the tenure rights, the PTO is the least formal, least bureaucratic and yet most flexible and easily comprehensible of all of these because of its very personal nature. This type of land tenure right is prevalent in the rural areas, hence the majority of cooperatives have PTO rights to their land.

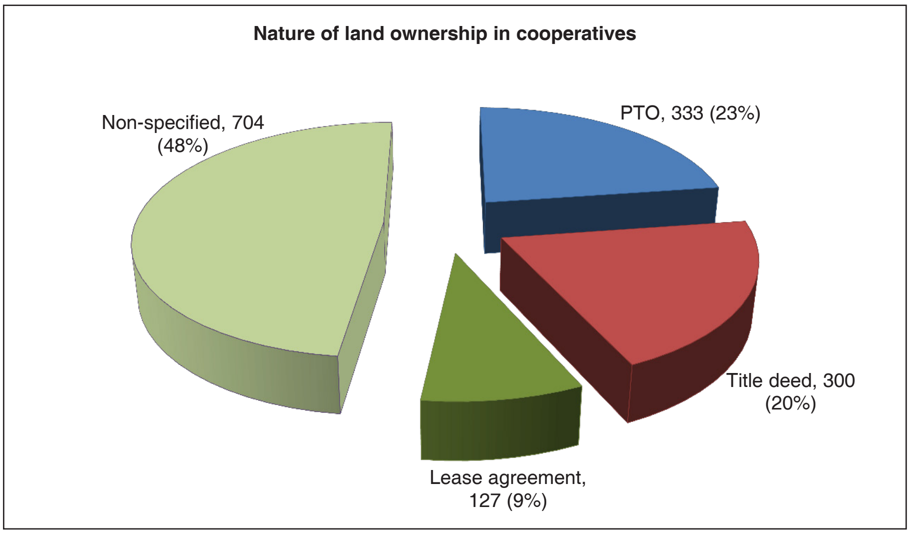

FIG.14 Landownership in cooperatives

17. Access to markets

Market access entails being able to sell a product or a service locally or internationally on the basis of fair trade or competition with a level playing field. The importance of access to markets cannot be over-emphasised as the lack of it hampers growth. Markets are pivotal to development and are the ultimate impact of any business entity, including cooperatives.

The inadequacy of market access and the inability to meet demand in some cases, therefore continue to be major concerns for cooperatives in South Africa. Most agri-products are destroyed because of lack of access to markets, which continue to have an effect on the poverty levels within the country.

Cooperatives, specifically those in agriculture, forestry and fisheries, are important providers of services such as market access and contracts to producers and agribusinesses that may be excluded from private markets and businesses owing to scale and quality considerations. They not only provide the farmers with access to extension and inputs such as fertiliser but also contribute to improving the quality and quantity of the produce. This section analyses the different types of market opportunities available to cooperatives in the sector and it looks at each province and summarises the different types of market opportunities.

17.1 Market opportunities for cooperatives in Limpopo

TABLE 29 Market opportunities in Limpopo

Institutions supplied	Number of cooperatives supplying
Pick n Pay	2
Friendly Supermarket	1
Vhembe Fresh Produce Market	1
NTK (Cooperative)	1
Golden Foods	1
Johannesburg Fresh Produce Market	2
Am-Pak	1
Durban Market	1
Mozambique	1
Botswana	1
Spar	1
Total	13

17.2 Market opportunities for cooperatives in KwaZulu-Natal

TABLE 30 Market opportunities for cooperatives in KwaZulu-Natal

Institutions supplied	Number of cooperatives supplying
Hospitals	5
Supermarkets	3
Aheers Greytown	1
Pietermaritzburg Market	1
Spar	4
Dundee Milling	1
Safgri	1
Boxer	3
Natalia Market	1
RBM (steel company)	2
Mkhondeni Market	1
School feeding scheme	2
Pills Honey Pty	1
Triangle Supermarket	1
University of Zululand	1
Sisonke Morning Market	1
Nkanyezi Supermarket	1
Clinics	1
G.J. Crooks (Ladysmith)	1
Vryheid Greengrocer	1
Total	33

Harvested grain is loaded into a truck ready for the market

17.3 Market opportunities for cooperatives in North West

TABLE 31 Market opportunities for cooperatives in North West

Institutions supplied	Number of cooperatives supplying
Mgk Obaro	1
Tshwane Fresh Produce Market	1
P.Farm	1
Senwes	1
Fruit and vegetable local market	1
Swartruggens Livestock auction	1
Kok and Seuns	1
Karroo Ochse	1
Noordkaap	1
Total	9

17.4 Market opportunities for cooperatives in Free State

TABLE 32 Market opportunities for cooperatives in the Free State

Institutions supplied	Number of cooperatives supplying
Supreme Chicken	1
J.S.Poultry	1
BKB (wool)	1
Econofish	5
Civic Centre	1
Overlad	1
Welkom	1
Sanvest	1
Grain cooperatives	1
Ponelopele	1
Mangaung markets	2
Sky Country	1
Albert Boarding School	1
Cambridge	1
Shoprite	1
Pretoria vegetable market	1
Pick n Pay	1
Veriland	1
Boxer	1
Total	24

Waya Waya layers cooperative in the Free State selling through Top-lay Country Eggs Distributor

17.5 Market opportunities for cooperatives in the Northern Cape

TABLE 33 Market opportunities for cooperatives in the Northern Cape

Institutions supplied	Number of cooperatives supplying
Senwes	2
Kuruman Landbou Kooperasie(KLK)	15
Kalahari kid	45
Noordkaap	12
Pick n pay	1
Spar	1
Total	76

7.6 Market opportunities for cooperatives in Gauteng

TABLE 34 Market opportunities for cooperatives in Gauteng

Institutions supplied	Number of cooperatives supplying
Joburg Fresh Produce Market	1
Hospitals	1
Hotel (Swazi Inn)	1
Hawkers' associations	1
Pick n Pay	1
Retailers	1
Total	6

17.7 Market opportunities for cooperatives in the Eastern Cape

TABLE 35 Market opportunities for cooperatives in the Eastern Cape

Institutions supplied	Number of cooperatives supplying
Spar	3
Hoppsin and Karen Beef	1
Boxer	2
East London Market	1
Shepstone	1
Steers	1
Total	9

17.8 Market opportunities for cooperatives in Mpumalanga

TABLE 36 Market opportunities for cooperatives in Mpumalanga

Institutions supplied	Number of cooperatives supplying
ISchool feeding scheme	5
Loskop/Makhathini gin	10
Total	15

17.9 Market opportunities for cooperatives in the Western Cape

TABLE 37 Market opportunities for cooperatives in the Western Cape

Institutions supplied	Number of cooperatives supplying
Tiger Brand	2
Greyton Frozen	2
Uitkyk Packers	2
Distell	1
DGB	1
Boutinot	1
Overhaux wine cellars	1
Total	10

17.10 Summary of institutions procuring from cooperatives

TABLE 38 Summary of market opportunities for cooperatives

Institutions supplied	Number of cooperatives supplying
Retail chains (Pick n Pay, Spar, Boxer, Shoprite, Cambridge)	20
Local supermarkets	18
Hospitals	6
School feeding schemes	6
Fresh produce markets	11
Other formal markets	134
Total	195

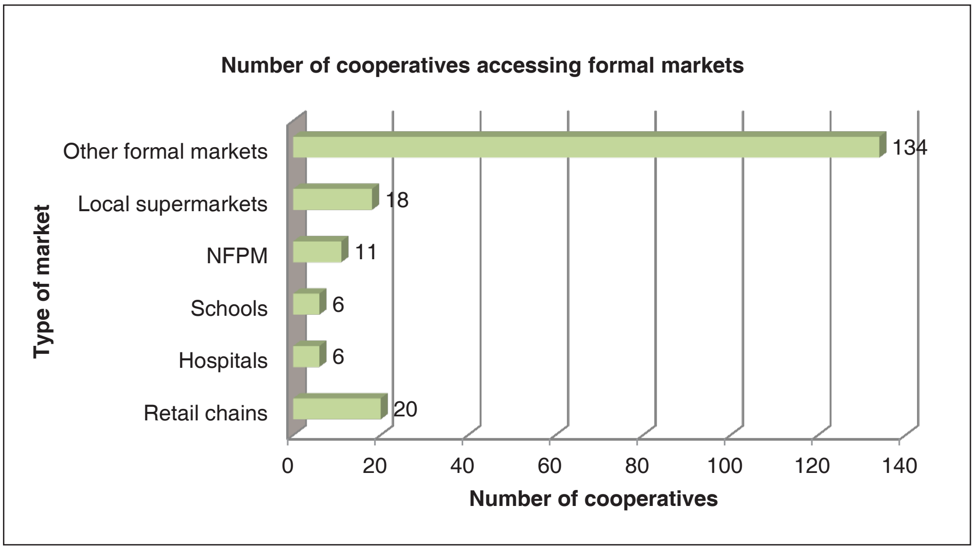

FIG. 15 Market opportunities for cooperatives in the sector

According to this report, a total of 195 cooperatives, representing 13,5% of the cooperatives surveyed, have access to formal markets. Twenty (20) cooperatives are selling to formal retails chains, 11 to the National Fresh Produce Markets and 6 to hospitals and schools, respectively. The remainder (68%) sell to local markets in areas where they operate.

18. Conclusion

The Third Annual report on Cooperatives in the Sector is an attempt to provide an account of the economic impact and status of cooperatives in the sector to demonstrate that these enterprises are neither small nor marginal organisations. This has been achieved by making comparisons of cooperative activities over three financial years (2010/11, 2012/13 and 2013/14).

The inability by cooperatives to upscale their activities and participate in value adding and processing activities was identified as a challenge in the 2012/13 cooperative report. This scenario has not changed as it remains a challenge for cooperatives in the sector to venture into value adding and agro-processing. This could be attributed to a number of factors, chief among these being lack of appropriate infrastructure and technical skills. In line with government policies such as the National Growth Path and the Industrial Policy Action Plan, DAFF needs to heighten its efforts in promoting agro-processing and value-adding activities in cooperatives as this sector was identified as having job multiplier effect.

DAFF continues to invest in cooperatives through grants using the CASP and production loans through Mafisa. This is based on the critical role that this business model plays in poverty reduction and economic growth. In relation to the increased amount of money invested in cooperatives, the annual revenue generated by these enterprises has also increased in 2013/14. This could also be attributed to the number of secondary commodity-based cooperatives facilitated in 2013/14 which are participating in the school nutrition programme mainly in the province of Mpumalanga as well as improved data collection methods.

In terms of membership, this report indicates that over 35 000 individual smallholder farmers are members of cooperatives, of which 54% are female. This is indicative of the fact that gender equality has been mainstreamed by cooperatives in the sector. Attracting young people and qualified managers by cooperatives in the sector remains a challenge. This is demonstrated by the fact that only 1% (394) of the cooperative membership is constituted by youth and only 36,5% (526) of cooperatives have full-time managers.

Market access by cooperatives is still an area of concern. The importance of access to markets cannot be overemphasised as the lack thereof hampers growth. Inadequacy of market access and the inability to meet market demand in some cases continue to be major concerns for cooperatives in South Africa. A total of 195 cooperatives, constituting 13, 5% have access to formal markets. This means that there is still a long way to go before the battle against lack of market access by smallholder farmers is won.

DAFF will continue to provide support to cooperatives in the sector to ensure that they are able to fulfil their mandate of providing market access to smallholder cooperatives.

Notes