The 2nd Annual Report on the Status of Cooperatives in the Sector

2012/13

agriculture,
forestry & fisheries

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Department of Agriculture, Forestry and Fisheries

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ACRONYMS

AgriSETA	Agricultural Sector Education and Training Authority
ARC	Agricultural Research Council
CIPC	Companies and Intellectual Property Commission
CODAS	Cooperative Data Analysis System
DAFF	Department of Agriculture, Forestry and Fisheries
DRDLR	Department of Rural Development and Land Reform
dti	Department of Trade and Industry
ECDC	Eastern Cape Development Corporation
FNB	First National Bank
ICA	International Cooperative Alliance
IDT	Independent Development Trust
ILO	International Labour Organisation
IPAP	Industrial Policy Action Plan
LIBSA	Limpopo Business Support Agency
Mafisa	Micro-agricultural Financial Institutions of South Africa
NDA	National Development Agency
NDP	National Development Plan
NGP	National Growth Path
NWK	Noordwes Koöperasie
NYDA	National Youth Development Agency
PICC	Presidential Infrastructure Coordinating Committee
SEDA	Small Enterprise Development Agency
SIP	Strategic Integrated Programme
VAT	Value Added Tax

FOREWORD BY THE DIRECTOR-GENERAL

Professor Edith V. Vries

I am pleased to present the 2012/13 Annual Report on the Status of Cooperatives in the sector. In compiling this report the Department relied entirely on the data collected by provincial departments of agriculture and captured on the Cooperative Data Analysis System (CODAS). The 2010/11 report was used as a baseline to determine trends in cooperatives in the sector. This report outlines the status of cooperatives in the sector and their contribution to economic growth and job creation.

Provision of assistance to smallholder farmers and cooperatives forms part of the Department's strategic vision as reflected in the *Strategic Plan 2013/14-2017/18.* This is based on the Department's belief that through cooperatives, smallholder farmers can be developed to increase productivity and income by helping them collectively negotiate better prices for inputs, thereby lowering cost of production. According to this report, there is a slight improvement in the economic performance of cooperatives in 2012/13 as compared to 2010/11.

Government policies such as the National Development Plan (NDP) and the Industrial Policy Action Plan (IPAP) have all identified the agricultural sector as one with potential to create jobs.

In support of these policies, the Department will continue to provide assistance to smallholder farmers and cooperatives to ensure that they contribute to economic growth and job creation particularly in rural areas. The Department aims to encourage and support cooperatives to venture into agro-processing activities as a long term strategy to create jobs.

To enhance market opportunities for cooperatives, the Department aims to intensify training and capacity building to assist cooperatives to improve the quality of their products to meet market standards. Through the work of the Presidential Infrastructure Coordinating Committee (PICC), the Department aims to encourage cooperatives to take advantage of opportunities created through the Strategic Integrated Programme 11 (SIP 11) led by this Department.

In conclusion, the improved economic performance of cooperatives in the sector is an indication that these enterprises are beginning to play a role towards poverty alleviation. This could be attributed to heightened efforts in implementing training and capacity-building programmes aimed at improving skills and enhancing market opportunities for the products produced by the cooperatives. The Department will continue to support cooperatives to ensure that they are able to assist smallholder farmers to contribute to the objectives of the National Development Plan.

EXECUTIVE SUMMARY

The 2012/13 Report on the Status of Cooperatives in the Sector is based on the analysis of cooperatives captured on the Cooperative Data Analysis System (CODAS) as at the last day of March 2013. According to the report, there were 1 189 cooperatives on the system. Of these, 340 (29%) are found in the province of KwaZulu-Natal followed by Limpopo with 200 cooperatives. The Western Cape recorded the lowest number of cooperatives at 34 constituting 3% of the total cooperatives.

In terms of commodities, 286 cooperatives (24%) are producing vegetables and the majority of these are found in the province of KwaZulu-Natal. Two hundred and forty nine cooperatives (21%) participate in the poultry commodity and, once more, the majority of these cooperatives are found in KwaZulu-Natal. The livestock commodity dominates in the Northern Cape and North West with 57 and 56 cooperatives, respectively. However, only 2% (27) of the total cooperatives are engaged in value-adding and agro-processing activities. There is therefore a need to support existing primary cooperatives to upscale their activities and venture into agro-processing and value adding activities.

In terms of membership, the 1 189 cooperatives have a combined membership of 28 941 with 55% being women. Further analysis suggests that on average each cooperative has 24 members. Attracting qualified or professional managers is still a challenge for cooperatives in the sector. This could be attributed to the poor image of the sector coupled with the perceived low salaries offered. The continued implementation of the training using the Farmtogether cooperative training programme in partnership with the Department of Rural Development and Land Reform (DRDLR) will see more cooperatives improve governance and operational efficiency. In terms of financial performance annual turnover has increased for R43 m in 2010/11 to R63 m in 2012/13.

The Department of Agriculture, Forestry and Fisheries has invested around R35 m to 54 cooperatives through the Comprehensive Agricultural Support Programme and Ilima/Letsema while 148 cooperatives were funded by other institutions to the amount of R66 m. This brings the total amount invested in 202 cooperative in the form of grants to R101 million. DAFF has made a further investment of R1,3 million through the Micro-Agricultural Financing Institutions of South Africa (MAFISA) to 3 cooperatives.

Access to formal markets remains a challenge to cooperatives in the sector. According to this report, 20 cooperatives are selling to formal retail chains such as the Spar, Pick 'n Pay, Shoprite-Checkers, Boxer and Massmart. Seven cooperatives are supplying hospitals with fresh vegetables in KwaZulu-Natal. A further seven cooperatives are supplying the National fresh produce markets while 15 cooperatives supply local supermarkets in their respective provinces.

In order to increase the number of cooperatives supplying formal markets, the Department is encouraging and promoting vertical integration of primary cooperatives in secondary commodity-based cooperatives to take advantage of the economies of scale. Lack of understanding of market mechanisms has been identified as one of the reasons that cooperatives are unable to access formal markets. Through training and capacity building support on issues of food safety and quality assurance, the Department aims to improve market opportunities for smallholder farmers and cooperatives.

1. INTRODUCTION

Given the current South African political imperatives for socio-economic transformation, smallholder farmers are sometimes seen as a solution for rural poverty and unemployment. The latest figures released by Statistics South Africa shows that unemployment has increased to 25,2% in the first quarter of 2013 and this places astrain on the government to find alternatives of creating job opportunities. The agricultural sector is one of two sectors that have created jobs in the first quarter of 2013 and it is seen as one of the sectors with significant potential to create jobs. As a result, smallholder farmers are under pressure to actively participate in the mainstream economy, by integrating their food production into the existing agro-food value chains. They are central to addressing hunger, yet many face barriers such as a lack of infrastructure, outdated farming practices and a lack of access to financial services.

According to the World Bank (2008), enhancing productivity and commercialisation among smallholder farmers is seen as a key strategy for rural development, poverty reduction and food security in Sub-Saharan Africa. For productivity gains to be achieved, smallholder farmers need to have better access to technology and improve their technical efficiency. It is important for them to have easy access to extension services in order to optimise on-farm technical efficiency and productivity, given the limited resources available. One option for providing services to smallholder farmers is through agricultural cooperatives which serve the dual purpose of aggregating smallholder farmers and linking them to input and output markets.

It is estimated that 1 billion individuals are members of cooperatives worldwide, creating more than 100 million jobs around the world. In agriculture, forestry and fisheries, members participate in production, profit-sharing, cost-saving, risk-sharing and income-generating activities, which lead to better bargaining power for members as buyers and sellers in the marketplace.

However, in stark contrast to what agricultural cooperatives are doing in other countries, South African agricultural cooperatives post 1994 have not been able to transform the lives of smallholder farmers owing to various reasons, which include lack of access to finance, appropriate infrastructure, inability to access markets and agro-processing opportunities. There is a need to invest in these organisations to ensure that they are able to provide services to smallholder farmers, thereby enhancing their productivity and capacity to create job opportunities. To be able to invest properly in cooperatives, adequate and reliable information on these organisations is required. This will ensure that informed decisions are made that respond to the challenges facing cooperatives in the sector.

CODAS was designed as an information management system for cooperatives in the sector. It is an electronic system that stores, collates and analyses data on cooperatives in the sector. Data stored on the system is used to compile reports on the status of cooperatives in the sector. This annual report is based on an analysis made of cooperative data available on the system.

2. OBJECTIVES OF THE REPORT

The main objective of this report is to provide insight into the current status of cooperatives in the sector and highlight some of the milestones achieved in supporting the development of smallholder farmers through cooperatives. Its also the objective of this report to highlight some of the challenges still facing cooperatives in the sector with a view to find workable solutions to these challenges.

3. SOURCE OF DATA UTILISED AND COLLECTION METHODOLOGY

Data utilised to compile this report has been sourced from provincial departments of agriculture. To ensure accuracy, reliability and currency, captured data is updated annually with the assistance of provinces. A structured data collecting tool has been developed and distributed to provincial departments of agriculture. The tool is also available electronically and may be downloaded and completed either manually or electronically. Completed questionnaires are forwarded to DAFF for capturing on the system. Captured data is then analysed and used to compile cooperative reports. The reports assist DAFF to determine the impact of cooperative development programmes in the sector.

4. ANALYSIS OF COOPERATIVES IN THE SECTOR ACCORDING TO CODAS

The analyses in this report are based on data available on CODAS as at the last day of March 2013. The first report on the status of cooperatives in the sector was compiled in 2011 and is used as a baseline. Comparisons between the 2010/11 and 2012/13 reports are used in this report to determine trends in cooperatives in the sector.

4.1. Number of cooperatives captured on CODAS

According to CODAS, there were 1 189 cooperatives captured on system by the end of March 2013 as compared to the 836 cooperatives in 2010/11. It should be emphasised at this stage that this number does not reflect the total number of cooperatives in the agriculture, forestry and fisheries sector registered with the Companies and Intellectual Property Commission (CIPC) of the dti. Rather, it is an indication of cooperatives that are known to both DAFF and the PDAs. These are cooperatives that DAFF and the PDAs have supported financially through the CASP and Mafisa or non-financially through capacity-building programmes and extension.

4.2. Geographic distribution of cooperatives in the sector

TABLE 1. Geographic distribution of cooperatives in the sector

	Number of cooperatives		Cumulative increase
Province	2010/11	2012/13	
Eastern Cape	106	33	139
Free State	25	28	53
Gauteng	36	21	57
KwaZulu-Natal	306	34	340
Limpopo	127	73	200
Mpumalanga	101	25	126
Northern Cape	40	30	70
North West	66	104	170
Western Cape	29	5	34
Total	836	353	1 189

According to the table above, 340 cooperatives are found in KwaZulu-Natal, which represents 29% of the total cooperatives on CODAS. The 2010/11 report also reflected the majority of cooperatives in this province at 306. The Western Cape Province has the smallest number of cooperatives at 34, representing 3%. The map on the next page indicates the number of cooperatives according to the provinces. The number of cooperatives on CODAS has increased from 836 to 1 189 with North West having the biggest increase at 104 cooperatives.

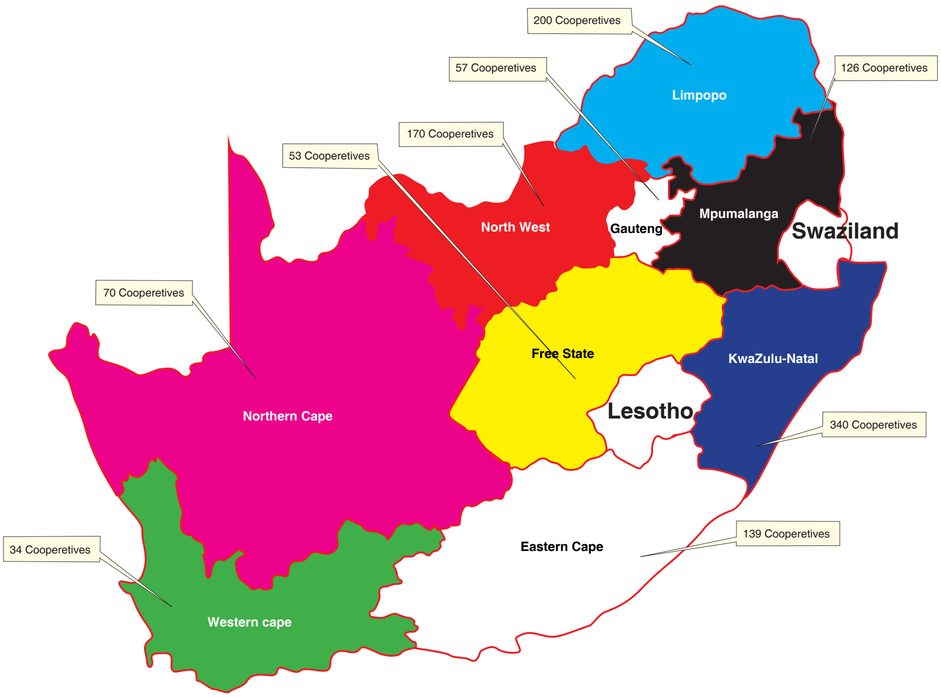


Figure 1: Geographic distribution

4.3. Cooperatives according to commodities

International best practices indicate that successful cooperatives are those that focus on a specific commodity, making it easier to provide tailor-made services to support members. The Department is also encouraging smallholder farmers to establish commodity-based cooperatives.

The types of commodities reflected in the table and graph that follow do not necessarily reflect the dominant commodities in the respective provinces but the commodities that the cooperatives in the provinces captured on CODAS are engaged in.

TABLE 2: Cooperatives according to commodities (Baseline report 2010/11)

Cooperatives according to commodities in 2010/11										
	Provinces									Total
Commodity	**EC**	**FS**	**GP**	**LP**	**MP**	**NC**	**NW**	**KZN**	**WC**	
Beekeeping	1			1		1				3
Crops	51	2	2	41	25		15	50	6	192
Flowers			1	1			1		1	4
Fruit	2			2			1	3	5	13
Herbs			1							1
Input supply					4					4
Livestock	6	11	4	7	17	38	27	37		147
Mixed farming	9	5	2	31	7		5	17		76
Poultry	9	1	8	29	21	1	9	85	7	170
Marketing processing/Value adding			1	2				2		5
Sugar cane								1		1
Vegetables	27	6	17	13	27		7	112	10	219
Wool	1									1
Total	106	25	36	127	101	40	66	306	29	836

TABLE 3: Cooperatives according to commodities 2012/13

Cooperatives according to commodities										
	Provinces									Total
Commodity	EC	FS	GP	LP	MP	NC	NW	KZN	WC	
Beekeeping	2		0	1		1		1	1	6
Crops	55	3	2	60	31		48	14	1	214
Farming services				8						8
Fishery		3	2				2		19	26
Flowers			1	1						2
Fruit	2			4			3			9
Herbs	1		1							2
Input supply				4	7	1				14
Livestock	7	13	4	20	16	57	56	39	3	215
Mixed farming	14	6	6	3			23	69		119
Poultry	18	11	12	56	31	5	19	94	3	249
Marketing processing/Value adding	2	3	4	6	2	0	3		7	27
Sugar cane								9		9
Vegetables	37	14	25	37	39	5	16	107	6	286
Winery						1			1	2
Wool	1									1
Total	139	53	57	200	126	70	170	340	34	1189

According to the table above (Table 3), 24% (286) of the total cooperatives on CODAS are producing vegetables. This situation has not changed from the 2010/11 report as the majority of cooperatives were involved in vegetable production. Most of these cooperatives are found in KwaZulu-Natal with 107 cooperatives. The same province also had the majority of vegetable-producing cooperatives in the baseline report of 2010/11. The map that follows indicates dominant commodities in various provinces.

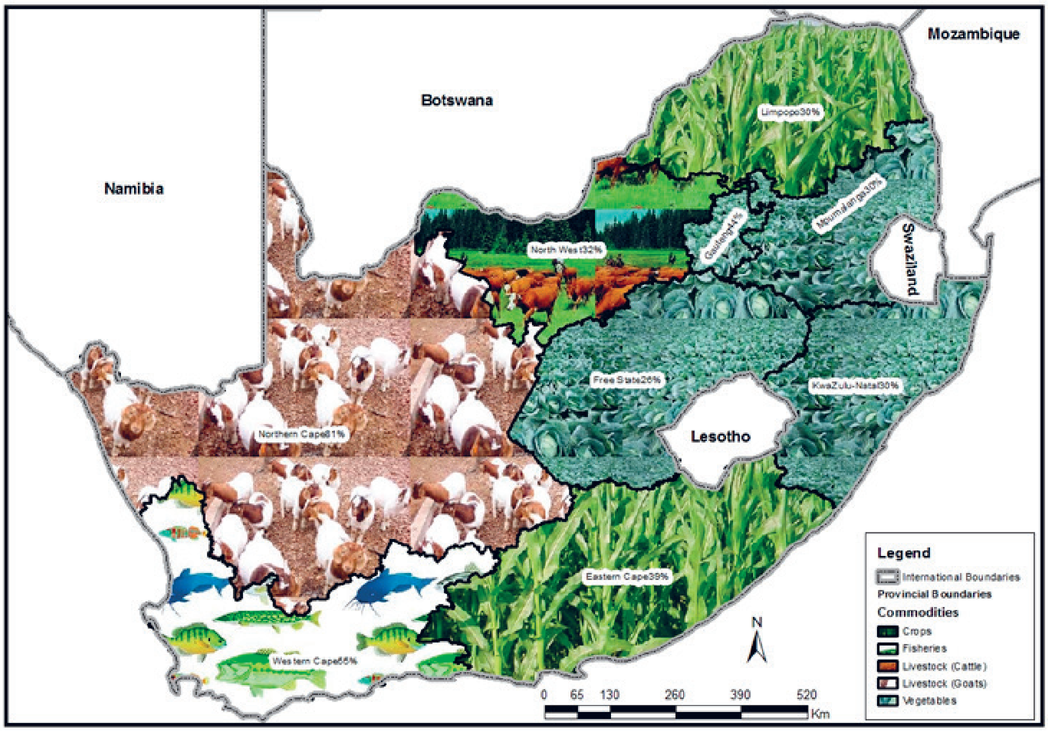


Figure 2: Dominant cooperative commodities by province

SUMMARY OF COMMODITIES IN COOPERATIVES

TABLE 4: Comparison of commodities between 2010/11 and 2012/13

Type of commodity	Number of cooperatives		Cumulative increase
	2010/11	2012/13	
Bee keeping	3	6	3
Beekeeping	3	6	3
Crops	192	214	22
Flowers	4	2	(2)
Fruit	13	9	(4)
Herbs	1	2	1
Input supply	4	214	10
Livestock	148	215	67
Mixed farming	76	119	43
Poultry	172	249	77
Marketing/Processing	3	27	11
Sugar cane	1	9	8
Vegetables	219	286	67
Wine	0	2	2
Wool	1	21	0

Goat cooperative in the Northern Cape

Livestock cooperative

4.4. Comparison of cooperatives involved in primary agriculture against those in secondary agriculture

TABLE 5: Production versus marketing/processing cooperatives

Comparison of cooperatives involved in primary and secondary agriculture						
Province	Co-ops involved in primary agriculture			Co-ops involved in secondary agriculture		
	2010/11	2012/13	Variance	2010/11	2012/13	Variance
Eastern Cape	106	135	29	0	4	4
Free State	25	51	26	0	2	2
Gauteng	35	55	20	1	2	1
KwaZulu-Natal	304	337	33	2	3	1
Limpopo	125	184	69	2	6	4
Mpumalanga	101	119	18	0	7	7
Northern Cape	40	70	30	0	0	0
North West	66	167	101	0	3	3
Western Cape	29	34	5	0	0	0
TOTAL	831	1162	331	5	27	22

Members of cooperatives (smallholder producers) do not only want to sell their produce as fast as possible, but also with higher economic returns. This can be achieved by engaging in agro-processing and value addition. The term agro-processing means to establish processing activities to handle the local produce with a view to generate additional or higher economic returns to farmers. This would also mean than post-harvest losses are reduced, productivity improved and additional employment created.

Out of the 1189 cooperatives on CODAS, 2% (27) are involved in secondary agriculture, which is value adding/ processing compared to 0.6% (5) in 2010/11. Figure 3 below reflects the above scenario graphically. The drive is to increase the number of smallholder cooperatives participating in both secondary and tertiary agriculture.

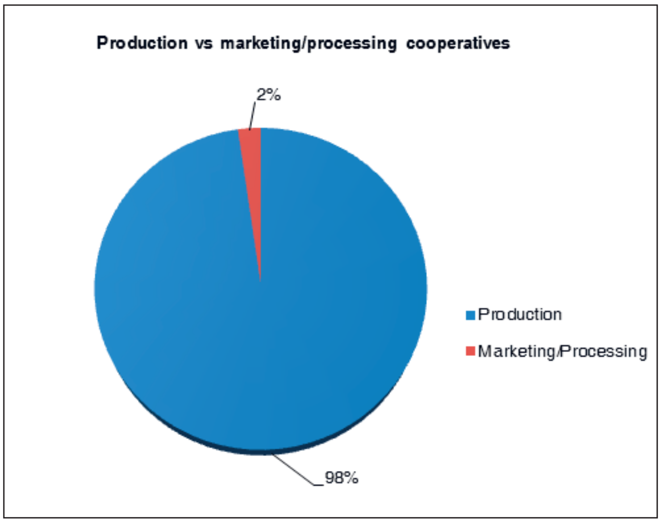


Figure 3: Production v/s marketing/processing cooperatives

Sorghum processing cooperative in the Eastern Cape Province (Secondary in Lady Frere)

4.5. Number of members belonging to cooperatives captured on CODAS

TABLE 6: Membership of cooperatives in the sector

Province	Total number of members		Males		Females		Youth		People with disabilities	
	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13
Eastern Cape	3462	3977	1493	1676	2094	2301	332	375	54	61
Free State	422	834	222	441	200	393	84	136	1	2
Gauteng	545	853	250	383	295	470	199	251	45	47
KwaZulu-Natal	6156	7475	2462	2508	3514	4967	915	1027	61	67
Limpopo	7008	7521	3297	4411	37911	3110	493	592	103	108
Mpumalanga	2460	3050	1081	1220	1379	1830	370	505	19	40
Northern Cape	553	1165	222	545	323	620	73	168	8	9
North West	1458	2644	614	1276	844	1368	118	298	14	20
Western Cape	249	1122	99	452	150	670	4	210	0	12
TOTAL	**22313**	**28641**	**9803**	**12914**	**12510**	**15727**	**2588**	**3264**	**315**	**346**

4.6. Comparison of membership between 2010/11 and 2012/12

TABLE 7: Comparison of membership between 2010/11 and 2012/13

Year	Total	Males	Females	Youth	People with disabilities
2010/11	22 313	9 803	12 510	2 588	315
2012/13	28 641	12 914	15 727	3264	346
Variance	6328	3111	3217	676	31

Globally, the International Cooperative Alliance (ICA) reports that cooperatives have more than 1 billion members and employ 100 million people. Research conducted by the ILO came to the conclusion that 7% of the African population are members of cooperatives. These figures illustrate the significance of cooperatives in economic and social upliftment of communities, as well as the level of confidence and trust placed by rural communities in cooperatives. According to Table 6, the 1 189 cooperatives on CODAS have a combined membership of 28 641 as compared to the 22 313 members from 836 cooperatives in 2010/11. The 28 641 members translate into an average of 24 members per cooperative. Fifty-five per cent (55%) of the total membership which is equal to 15 727 comprises females. Of the total membership of 28 641, 11% (3 264) is made up of the youth.

Currently the youth is not fully participating in agriculture owing to the negative perceptions they have of participation in agriculture. They perceive people participating in agriculture as being uneducated and unskilled because it involves physical labour and low economic returns. However, to ensure long-term food security and sustainability of agriculture, young people are seen as an ideal catalyst to change the poor image because of their greater propensity and willingness to adapt to new ideas, concepts and technology.

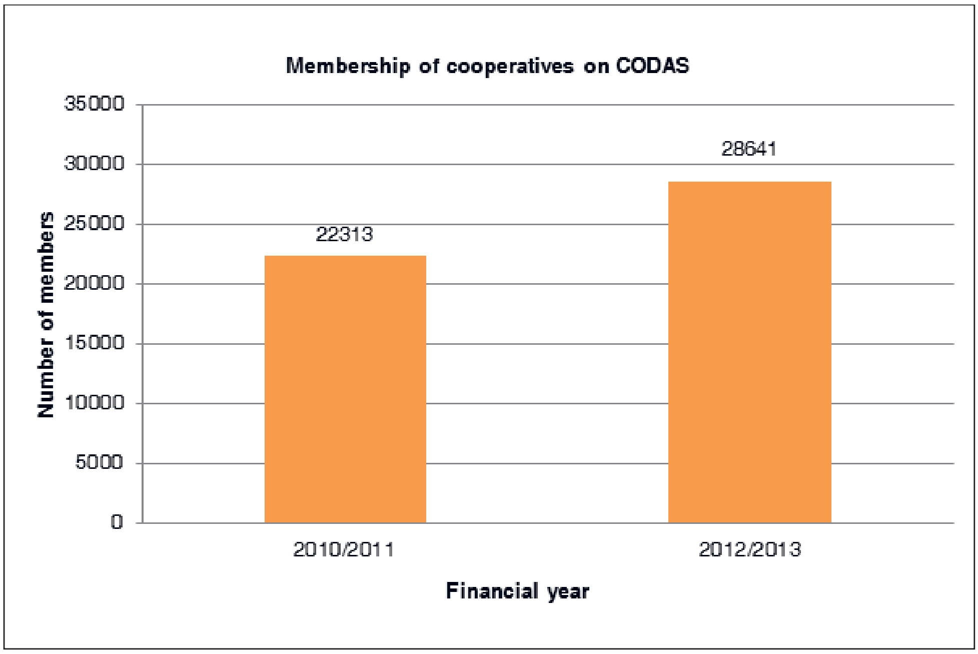


Figure 4: Membership of cooperatives on CODAS

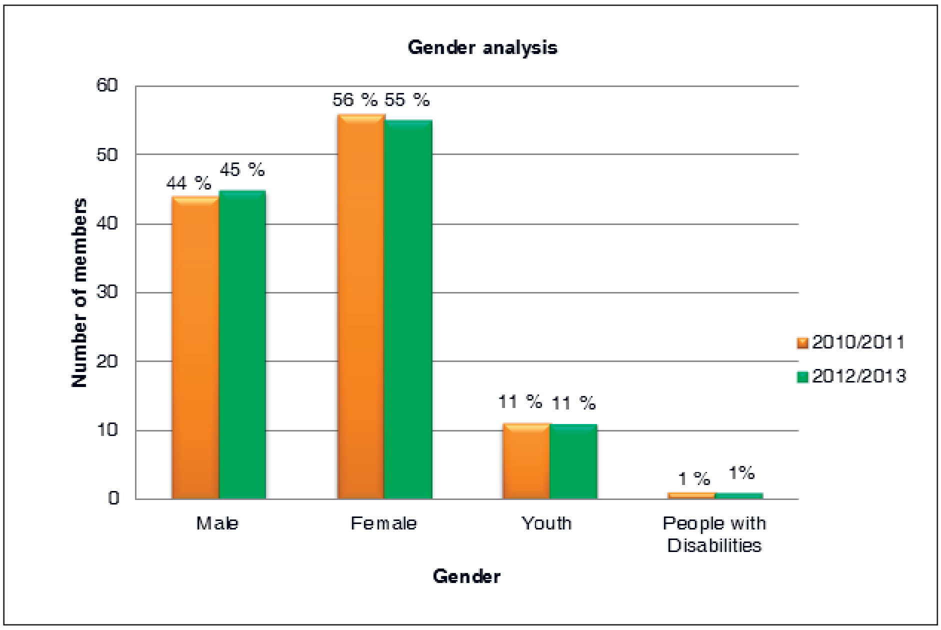


Figure 5: Gender analysis of members of cooperatives on CODAS

4.7. Management of cooperatives

Generally, the governance structure of a cooperative comprises four layers, namely, the general assembly, board of directors (responsible for policy and strategy) management responsible for implementation of policies and strategies developed by the board of directors and the employees of the cooperative (responsible for execution of daily activities of the cooperative towards the achievement of the overall objectives of the cooperative).

4.7.1. Cooperatives with full-time managers

TABLE 8: Cooperatives with managers

Province	Number of cooperatives with managers		Variance
	2010/11	2012/13	
Eastern Cape	60	78	18
Free State	14	23	9
Gauteng	25	35	10
KwaZulu-Natal	88	115	27
Limpopo	38	68	30
Mpumalanga	54	76	22
Northern Cape	3	5	2
North West	24	40	16
Western Cape	7	16	9
Total	313	456	143

TABLE 9: Comparison of cooperatives with managers between 2010/11 and 2012/13

Year	Cooperatives with managers
2010/11	313
2012/13	456
Variance	143

According to Table 8, 456 of the 1 189 cooperatives on CODAS have full-time managers as compared to 313 of 836 cooperatives in 2010/11. One of the reasons for other cooperatives lacking full-time managers is that they are not generating sufficient revenue to justify the appointment of full-time managers. In this case, the members of the board of directors take turns in managing their enterprises. The number of cooperatives with full-time managers in provinces is also plotted on the figure below.

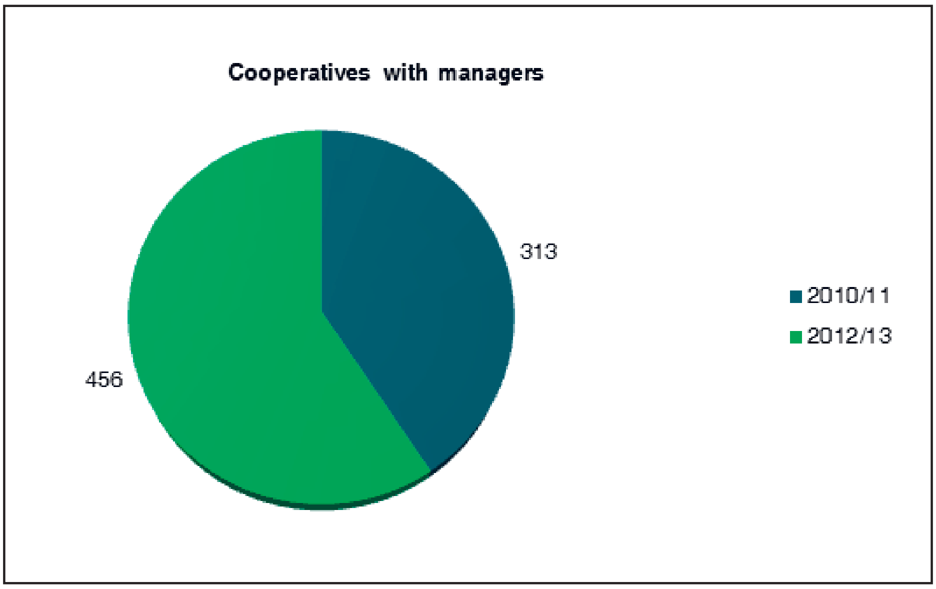


Figure 6: Cooperatives with full-time managers

4.7.2. Level of education of managers

Appointing a qualified manager is one of the most important single acts of the board of directors. The success of a cooperative depends more on the manager than any other individual. Literature suggests that cooperatives, particularly those in the agriculture, forestry and fishery sector, have not been able to attract qualified managers. The reason for this is the poor image of the sector and the low salaries offered by cooperatives in general.

TABLE 10: Level of education of managers

Total number of managers	Level of education	Number of managers		Variance
		2010/11	2012/13	
456	Primary (Grade 1-7)	21	37	16
	Secondary (Grade 8-12)	141	226	85
	Tertiary (Post- matric)	12	73	61
	Specialised skills	0	44	44
	Unknown	0	76	76
Total		**174**	**456**	**282**

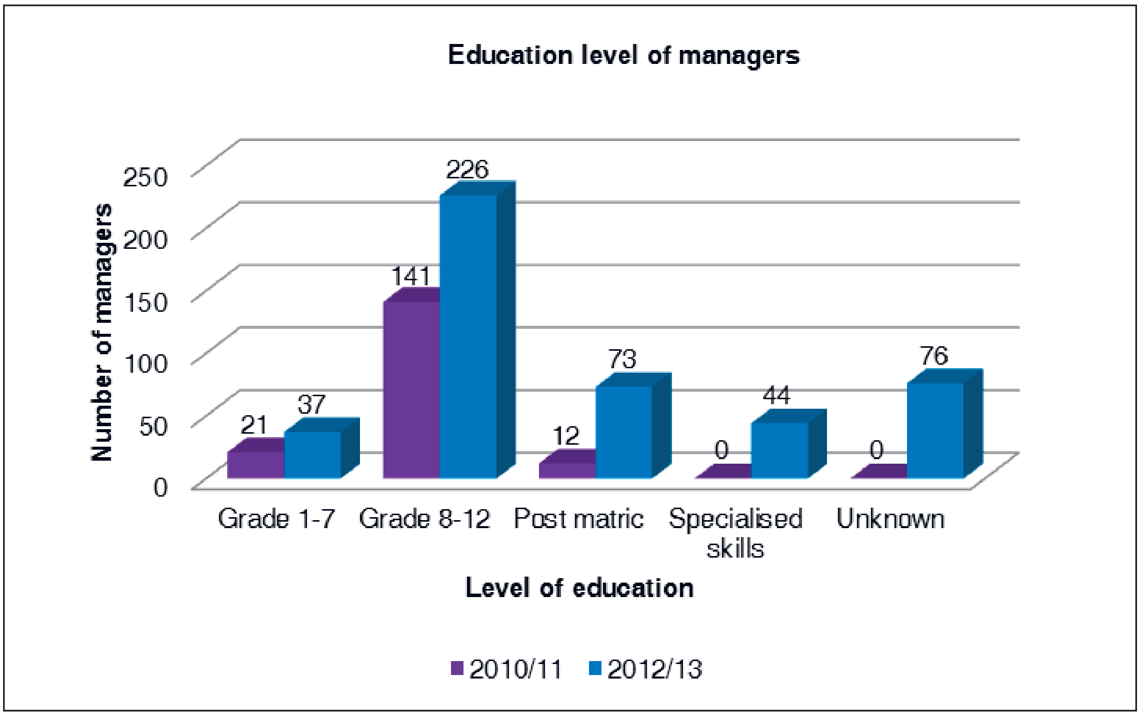


Figure 7: Manager's level of education

In terms of the level of education of the managers 50% (226) have secondary education which is up from 141 in 2010/11 while 16% (73) have post-matric qualifications (up from 12 in 2010/11). Of the 456 managers, 10% (44) have acquired specialised skills such as poultry management, crop production, livestock management etc.

4.7.3. Gender analysis of chairpersons of the board of directors

TABLE 11: Gender analysis of chairpersons of the board of directors

Province	No of co-ops		No of Chairpersons		Male		Female	
	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13
Eastern Cape	106	139	106	139	56	92	50	47
Free State	25	53	25	53	13	34	12	19
Gauteng	36	57	36	57	19	28	17	29
KwaZulu-Natal	306	340	306	340	112	113	194	227
Limpopo	127	200	127	200	65	102	62	98

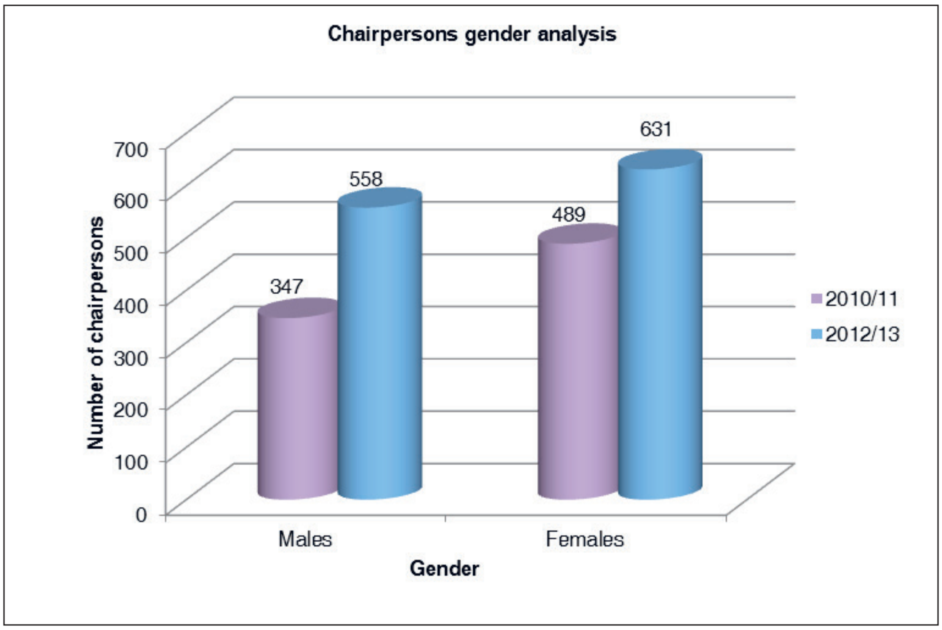
Province	No of co-ops		No of Chairpersons		Male		Female	
	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13	2010/11	2012/13
Mpumalanga	101	126	101	126	21	44	80	82
Northern Cape	40	70	40	70	12	26	28	44
North West	66	170	66	170	34	101	32	69
Western Cape	29	34	29	34	15	18	14	16
TOTAL	**836**	**1 189**	**836**	**1 189**	**347**	**558**	**489**	**631**

Table 11 indicates that 631(53%) of the 1189 cooperatives have their board of directors led by women. This is proportional to the 55% of the total number of members of cooperatives being female and is an indication that there is no discrimination against women in cooperatives. The elements of equality and democracy are upheld by cooperatives. In 2010/11, 58% of the board of directors of 836 cooperatives, which translates into 489 cooperatives, were led by women as well.

TABLE 12: Summary of gender analysis-comparison (2010/11 v/s 2012/13)

Year	Number of cooperatives	No of Chairperson	Male	Female
2010/11	**836**	**836**	**347**	**489**
2012/13	**1 189**	**1 189**	**558**	**631**
Change in gender of chairpersons	**353**	**353**	**211**	**142**

Figure 8: Gender analysis of chairpersons in cooperatives



4.8. Capacity building in cooperatives

The fifth universal principle of cooperatives stipulates that: "cooperatives provide education and training for their members, elected representatives, managers and employees so that they can contribute efficiently to the development of their cooperative". Capacity building for cooperatives should be defined in the light of the goals of cooperatives. The underlying driving force for capacity building in cooperatives, is to maximise efficiency and effectiveness to ensure both short and long-term sustainability of cooperatives as well as adapting to a changing environment. Lack of capacity building has been identified as one of the main factors hampering progress in cooperatives. In an attempt to address this challenge, DAFF designed and implemented the Farmtogether Cooperative Training Programme, to assist cooperatives in the sector to improve operational efficiency and effectiveness. In 2010/11, 109 cooperatives were trained on Farmtogether and this number has edged up to 217 cooperatives in 2012/13, bringing the total number of cooperatives trained on the programme to 326. To increase the number of cooperatives trained using this programme DAFF has entered into a partnership with the Department of Rural Development and Land Reform (DRDLR) and the AgriSETA. In terms of this partnership, DAFF is responsible for training officials from both DAFF and DRDLR as facilitators of the programme. DRDLR is responsible for training of identified cooperatives in the provinces while AgriSETA is acting as the project manager.

TABLE 13: Capacity building of cooperatives

Province	Capacity building in cooperatives											
	Financial management		Cooperative governance		Marketing		Planning and controls		Business management		Farm-together	
	2011	2013	2011	2013	2011	2013	2011	2013	2011	2013	2011	2013
EC	31	54	9	11	42	54	28	36	2	64	16	44
FS	18	20	4	5	9	11	2	4	0	0	4	4
GP	12	15	18	20	16	20	19	23	4	34	16	36
KZN	38	77	41	58	32	38	31	48	1	5	33	101
LP	39	67	24	32	34	42	11	24	1	2	22	28
MP	12	13	6	8	8	14	4	10	0	0	9	86
NC	11	30	7	10	7	10	0	0	1	2	3	16
NW	12	20	6	9	14	17	4	8		1	3	0
WC	14	20	0	1	0	0	0		0	19	3	3
TOTAL	**187**	**316**	**115**	**154**	**162**	**206**	**95**	**153**	**9**	**127**	**109**	**217**

Table 14: Comparison of capacity building between 2010/11 and 2012/13

Year	Financial management	Cooperative governance	Marketing	Planning and controls	Business management	Farm-together
2010/11	187	115	162	95	9	109
2012/13	316	154	206	153	127	217
Variance	129	39	44	58	118	108

Input supply cooperative in the Northern Cape Province

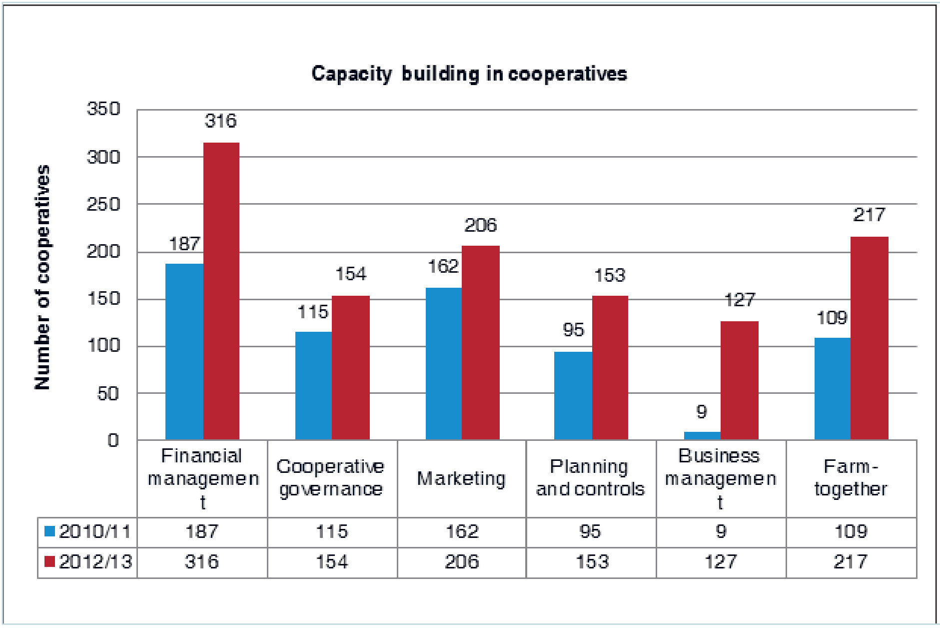


Figure 9: Capacity building in cooperatives

Over and above the Farmtogether Programme, Table 14 indicates that 316 cooperatives have been trained in financial management, 206 in marketing, 154 in cooperative governance, 153 in planning and control and 127 in business management. In general, the number of cooperatives trained on the various programmes has increased in 2012/13.

4.9. Employment analysis

According to the ILO, more than 100 million people are employed by cooperatives globally. The latest figures released by Statistics South Africa (Stats SA) indicate that unemployment in South Africa has edged up to 25,2% in the first quarter of 2013. However, the agricultural sector has been able to increase employment by 12,7% in the same period.

The following table illustrates the number of job opportunities created by cooperatives in the sector.

4.9.1. Job opportunities created by cooperatives (permanent/temporary)

TABLE 15: Employment opportunities created by cooperatives

Nature of employment	Permanent			Temporary		
Financial year	**2010/11**	**2012/13**	**Variance**	**2010/11**	**2012/13**	**Variance**
Province						
Eastern Cape	325	772	447	210	246	36
Free State	87	108	21	8	39	31
Gauteng	151	278	127	22	327	305
KwaZulu-Natal	475	575	110	425	410	(15)
Limpopo	377	504	127	141	249	108
Mpumalanga	246	309	63	41	406	365
Northern Cape	14	45	31	4	34	30
North West	132	179	47	130	186	56
Western Cape	6	115	109	0	207	207
TOTAL	**1 858**	**2 830**	**972**	**981**	**2 104**	**1 123**

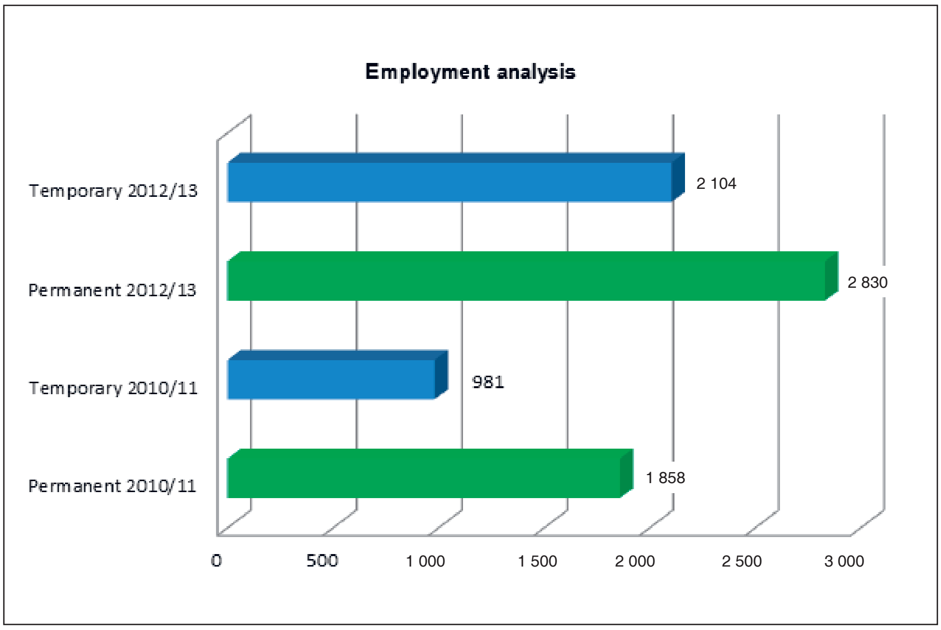


Figure 10: Employment analysis

According to Table 15, 4 934 job opportunities (2 830 permanent and 2 104 temporary) were created by the 1 189 cooperatives. This number is up from the 2 839 in 2010/11. However, it should be mentioned that the majority of cooperatives in the sector are classified as worker cooperatives, meaning that members are also workers in their own cooperatives. With an average membership of 24 per cooperative, assuming that all the members are workers as well, it might be concluded that apart from the 4 934 formal job opportunities created the 28 641 members are also employed by their cooperatives.

4.10. Financial performance of cooperatives in the sector

For the purposes of this report financial performance is measured by the total annual turnover generated by cooperatives over the period of this report. Annual turnover is defined as the total gross sales generated by a cooperative over a specific financial year.

4.10.1. Annual turnover (2010/11 *v/s* 2012/13)

TABLE 16: Annual turnover in cooperatives

Province	Financial year		
	2010/11	2012/13	Cumulative increase
Eastern Cape	R14 691 360	R1 345 175	R16 036 535
Free State	R372 552	R2 243 000	R2 615 552
Gauteng	R209 410	R1 890 590	R2100 000
KwaZulu-Natal	R15 816 572	R8 772 296	R24 588 866
Limpopo	R4 659 638	R2 058 362	R6 718 000
Mpumalanga	R5 129 259	R1 070 741	R6 200 000
Northern Cape	R96 842	R1 363 262	R1 460 104
North West	R2 672 920	R1 068 078	R3 740 998
Western Cape	R0	R100 000	R100 000
TOTAL	**R43 650 553**	**R19 909 502**	**R63 560 055**

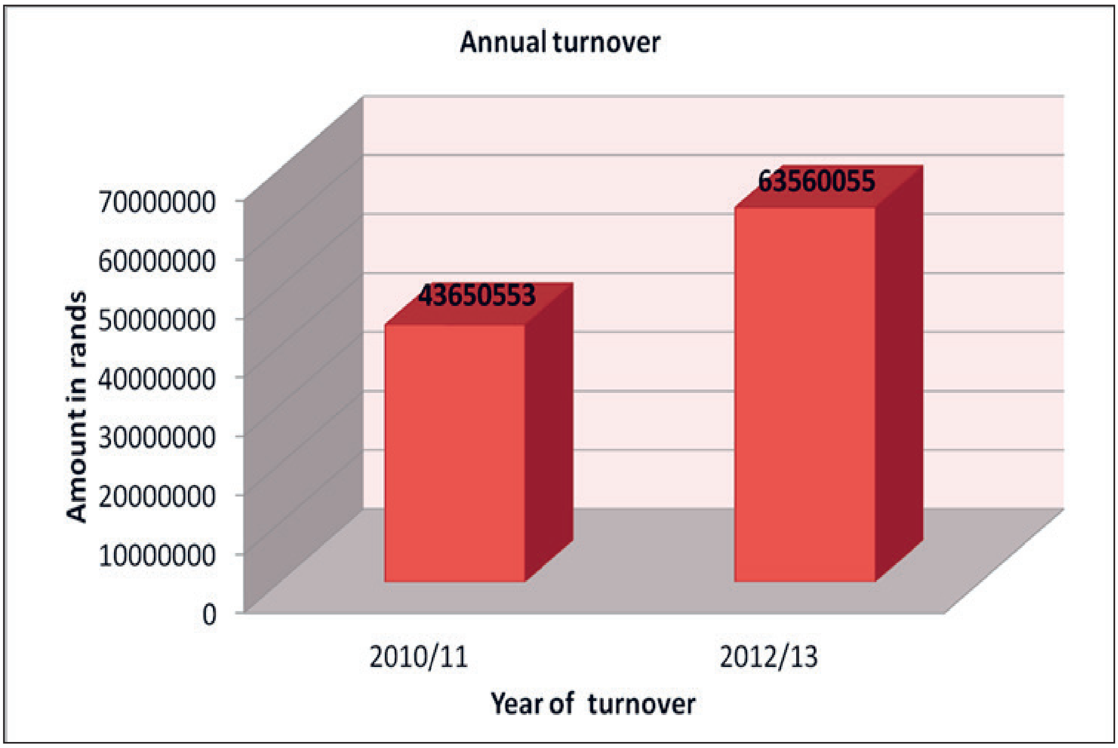


Figure11: Annual turnover

In 2010/11, the cooperatives on CODAS had a combined turnover of R43 million. This figure has edged up to R63 million in 2012/13. This is an indication that the performance of cooperatives in the sector is slightly improving despite the numerous challenges facing them.

4.11. Investment in cooperatives captured on CODAS

The greater the amount of capital held by a cooperative, the greater its ability to purchase more efficient technology, infrastructure, invest in staff training and education and make other improvements to the running of the business. Capital for the operation and improvement of the cooperative business can come either from members directly, grants or loans from external institutions. The following table indicates the amount of investment in cooperatives captured on CODAS.

4.11.1. Investment through grants by DAFF (CASP Ilima/Letsema)

TABLE 17: Number of cooperatives funded by Department of Agriculture, Forestry and Fisheries

Province	Number of cooperatives			Amount of grant		Variance
	2010/11	2012/13	Variance	2010/11	2012/13	
Eastern Cape	22	30	8	R5 142 472	R7 718 472	R2 576 000
Free State	9	17	8	R4 695 976	R11 323 976	R6 628 000
Gauteng	2	4	2	R660 000	R1 950 000	R1 290 000
KwaZulu-Natal	15	22	7	R15 916 000	R18 604 500	R2 688 500
Limpopo	2	12	10	R2 582 700	R9 196 769	R6 614 069
Mpumalanga	5	7	2	R1 655 000	R 2 395 000	R740 000
Northern Cape	3	5	2	R71 400	R1 372 500	R1 301 100
North West	6	21	15	R3 904 930	R17 325 674	R13 420 744
Western Cape	1	1	0	R500 000	R 500 000	R0
TOTAL	**65**	**119**	**54**	**R35 128 478**	**R70 386 891**	**R35 258 413**

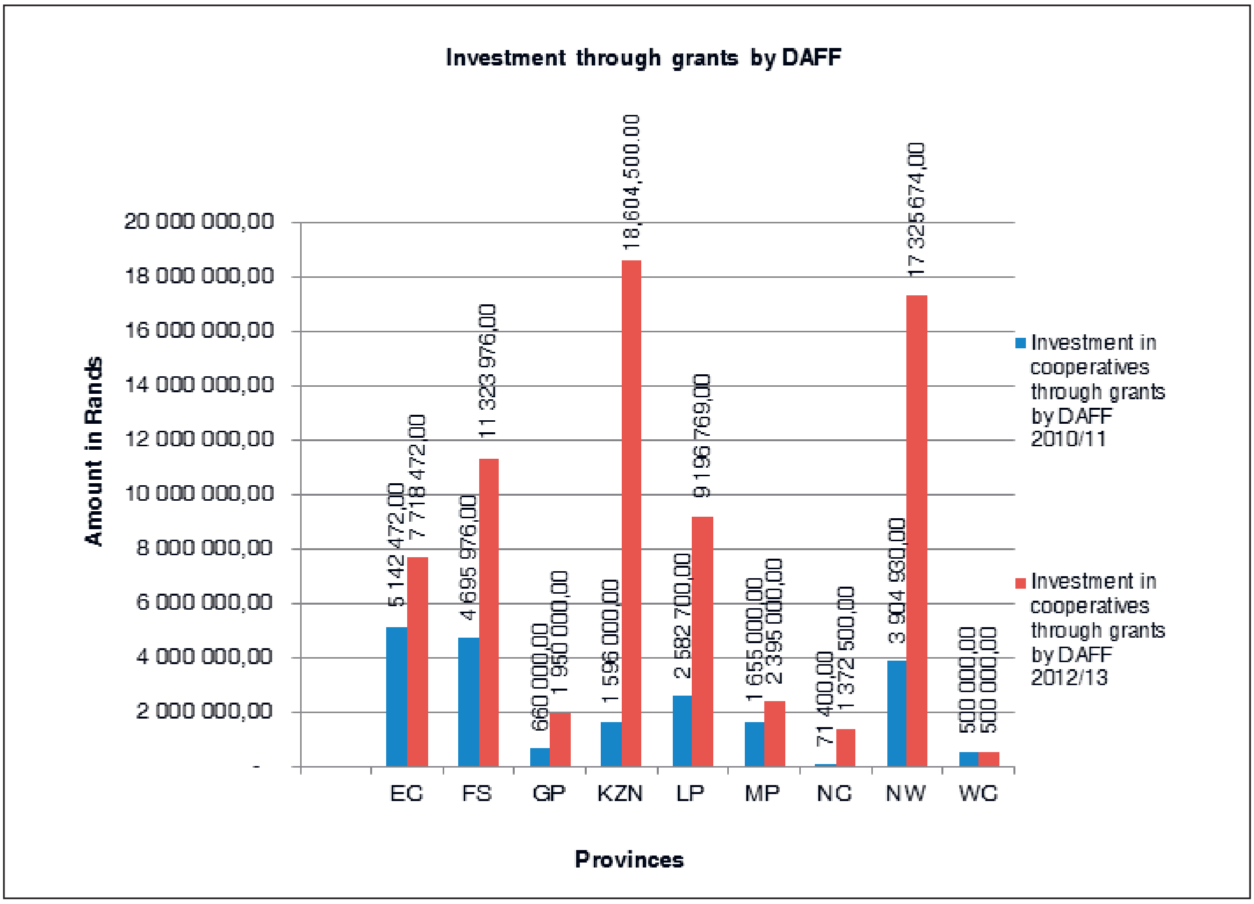


Figure 12: Grant funding by DAFF in the provinces

According Table 17, the number of cooperatives receiving financial support through grants from DAFF has increased from 65 in 2010/11 to 119 in 2012/13. Consequently the value of grants also increased in proportion to the number of cooperatives from R35 million to R70 million. These include amounts disbursed through provincial departments of agriculture.

4.11.2. Investment through grants by other institutions in the provinces

4.11.2.1. EASTERN CAPE

TABLE 18: Grant funding for cooperatives in the Eastern Cape

Name of Institution	Number of Coops	Amount of Grant
Eastern Cape Development Corporation (ECDC)	1	R8 000
Local government	7	R796 000
Department of Trade and Industry	1	R1 750 000
Department of Rural Development and Land Reform	2	R370 000
Department of Social Development	13	R4 860 439
National Development Agency	2	R221 000
Total	**26**	**R8 005 439**

4.11.2.2. FREE STATE

TABLE 19: Grant funding to cooperatives in the Free State

Name of Institution	Number of co-ops	Amount of grant
National Development Agency	2	R1 757 000
Department of Rural Development and Land Reform	2	R1 020 000
Total	**4**	**R2 777 000**

4.11.2.3. GAUTENG

TABLE 20: Grant funding to cooperatives in Gauteng

Name of Institution	Number of co-ops	Amount of grant
Department of Trade and Industry	3	R721 000
Department of Social Development	2	R855 000
Total	**5**	**R1 576 000**

4.11.2.4. KWAZULU-NATAL

TABLE 21: Grant funding in KwaZulu-Natal

Name of institution	Number of co-ops	Amount of grant
Local government	14	R1 805 425
Ithala	9	R177 200
Department of Rural Development and Land Reform	3	R13 317 000
Department of Economic Development	2	R7 520 000
Department of Social Development	3	R405 000
Small Enterprise Development Agency	1	R85 000
Total	**32**	**R23 309 625**

4.11.2.5. LIMPOPO

TABLE 22: Grant funding in Limpopo

Name of institution	Number of co-ops	Amount of grant
Department of Trade and Industry	6	R1 273 000
Department of Economic Development	3	R1 125 000
Department of Social Development	20	R4 538 500
Independent Development Trust	2	R540 800
Limpopo Business Support Agency (LIBSA)	9	R9 474 587
Local governments	5	R69 100
Total	**45**	**R17 550 987**

4.11.2.6. MPUMALANGA

TABLE 23: Grant funding in Mpumalanga

Name of institution	Number of co-ops	Amount of grant
Department of Social Development	2	R507 000
Total	**2**	**R507 000**

4.11.2.7. NORTH WEST

TABLE 24: Grant funding in North West

Name of institution	Number of co-ops	Amount of grant
Local government	2	R190 000
Department of Social Development	5	R2 435 123
Department of Trade and Industry	1	R10 000
Independent Development Trust	2	R585 200
Department of Water Affairs	1	R5 300
Total	**11**	**R3 225 623**

4.11.2.8. NORTHERN CAPE

TABLE 25: Grant funding to cooperatives in the Northern Cape

Name of institution	Number of co-ops	Amount of grant
Local government	7	R159 550
National Development Agency	3	R1 999 982
Department of Trade and Industry	3	R291 695
Kumba Resources	1	R7 000 000
Total	**14**	**R9 451 227**

4.11.3. Summary of institutions providing grant funding to cooperatives

TABLE 26: Summary of institutions providing grants to cooperatives in the sector

Name of institution	Number of co-ops	Amount of grant
DAFF	54	R35 258 413
Department of Trade and Industry	14	R4 045 695
Department of Economic Development	5	R8 645 000
Department of Rural Development and Land Reform	7	R15 107 000
Department of Social Development	55	R13 601 062
Independent Development Trust	4	R1 126 000
Department of Water Affairs	1	R5 300
Ithala	9	R177 200
Kumba Resources	1	R7 000 000
Limpopo Business Support Agency	9	R10 599 558
Local governments	35	R3 020 075
National Development Agency	7	R3 977 982
Small Enterprise Development Agency	1	R85 000
ECDC	1	R8 000
Total	**202**	**R101 531 314**

Tomato producing cooperative in Gauteng.

4.11.4. Investment in cooperatives through loans by DAFF per province (Mafisa)

TABLE 27: Loan funding through Mafisa

Province	Number of cooperatives		Loan amount	
	2010/11	2012/13	2010/11	2012/13
Eastern Cape	10	2	R3 425 881	R433 278
Free State	0	1	R0	R10 000
Gauteng	0	0	R0	R0
KwaZulu-Natal	1	1	R792 000	R870 000
Limpopo	0	0	R0	R0
Mpumalanga	0	0	R0	R0
Northern Cape	0	0	R0	R0
North West	2	0	R541 000	R0
Western Cape	0	0	R0	R0
TOTAL	**13**	**3**	**R 4 758 881**	**R1 313 278**

TABLE 28: Comparisons of Mafisa funding between 2010/11 and 2012/13

Year	Number of cooperatives	Loan amount
2010/11	13	R4 758 881
2012/13	3	R1 313 278

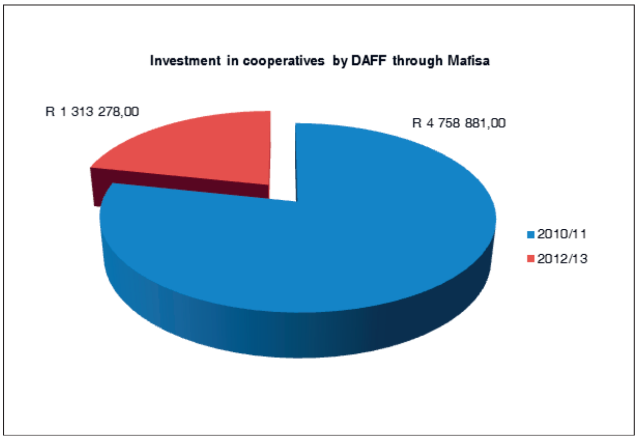


Figure 13: Comparison of Mafisa funding between 2010/11 and 2012/13

4.11.5. Summary of investment through loans in cooperatives by DAFF

TABLE 29: Summary of loan funding to cooperatives by DAFF

Name of institution	Number of co-ops	Grant amount
DAFF (Mafisa)	3	R1 313 278
Total	**3**	**R1313 278**

Table 28 shows that 3 cooperatives received loans from DAFF through Mafisa to the value of R1,3 million compared to 13 cooperatives in 2010/11 which received R4,7 million.

TABLE 30: Summary of loan funding to cooperatives by other institutions

Year	Number of cooperatives	Loan amount
2010/11	37	R23 486 448
2012/13	0	R0

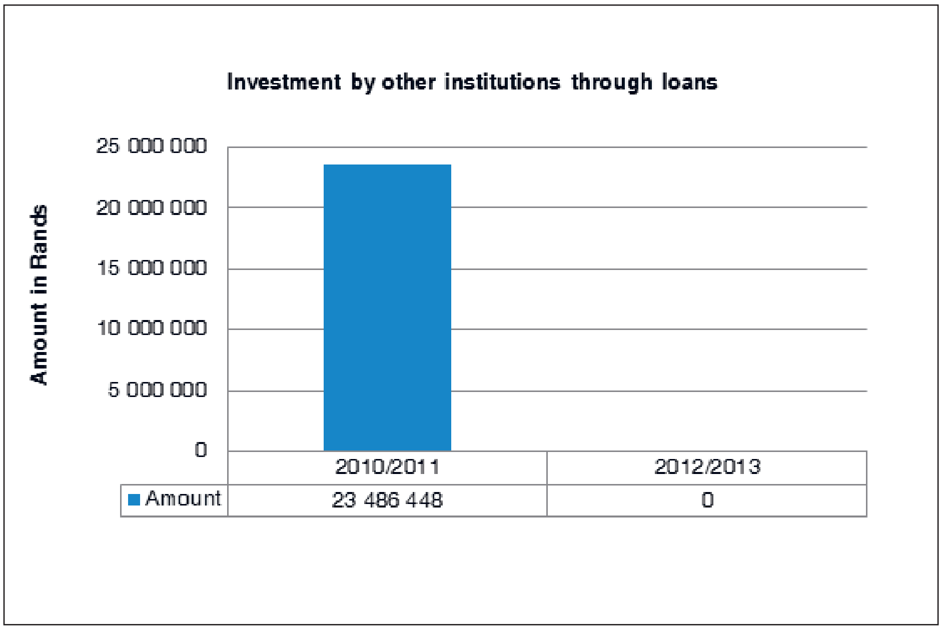


Figure 14: Loan funding to cooperatives by other institutions

4.11.6. Comparison between grants and loan funding to cooperatives

TABLE 31: Comparison between grants and loans

Financial year	Grants amounts disbursed to co-ops	Loans amounts disbursed to co-ops
2010/11	R86 105 175	R28 245 329
2012/13	R101 531 314	R1 313 278
Cumulative increase	R187 636 489	R29 558 607

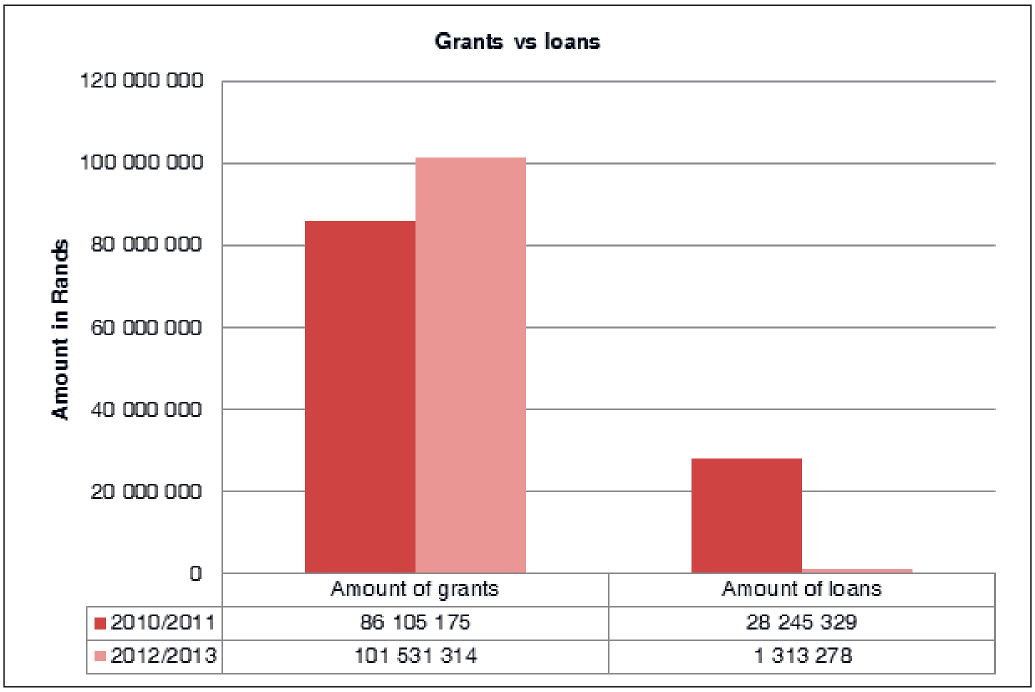


Figure 15: Grants *v/s* loans

In terms of Table 31 above, cooperatives still rely on grant funding for their survival. The value of grants disbursed to cooperatives increased from R86 million in 2010/11 to R101 million in 2012/13. However, loan funding decreased from R28 million in 2010/11 to R1.3 million in 2012/13. Translated into percentages, 99% of financial support to cooperatives in 2012/13 was in a form of grants.

Tomato-producing cooperative in KwaZulu-Natal selling to Mkhondeni Market in Pietermaritzburg

4.12. Member contributions (equity)

While it is government's responsibility to invest in the sector, it is equally true that *government* cannot do this alone. Smallholder producers should begin to consider building savings through the financial services cooperatives, leading to the establishment of cooperative banks, particularly in the rural areas. This is possible as demonstrated by the fact that members of the 1 189 cooperatives have invested an amount of R5 million in their cooperatives by way of paying subscription/membership fees (Table 32). This is R1,4 million more that the 2010/11 figures.

TABLE 32: Equity in cooperatives in the sector

Province	Number of co-ops			Members' contribution		
	2010/11	2012/13	Variance	2010/11	2012/13	Variance
Eastern Cape	106	139	33	R318 790	R375 810	R57 020
Free State	25	53	28	R77 790	R94 290	R16 500
Gauteng	36	57	21	R39 205	R59425	R20 220
KwaZulu-Natal	306	340	34	R784 130	R1 912 362	R1 128 232
Limpopo	127	200	73	R1 133 179	R1 222 237	R89 058
Mpumalanga	101	126	25	R82 880	R82 880	R0
Northern Cape	40	70	30	R263 060	R263 060	R0
North West	66	170	104	R920 734	R991 734	R71 000
Western Cape	29	34	5	R0.00	R35 000	R35 000
TOTAL	**836**	**1189**	**343**	**R3 619 768**	**R5 036 798**	**R1 417 030**

Figure 16: Equity in the cooperatives in the sector

4.13. Level of compliance by cooperatives in the sector

Compliance has become a major concern for organisations and businesses, largely owing to increasing regulatory requirements which often require organisations to invest in new technologies in order to address compliance issues. Like any other business enterprise, cooperatives are expected to comply with certain legislative and regulatory frameworks such as the annual tax returns, cooperative annual returns, value added tax and, most importantly, cooperatives are compelled by the Cooperatives Act to comply with the cooperative principles as entrenched in the ICA's statement on cooperative identity. Five key compliance areas have been identified and used as a norm to measure the level of compliance by cooperatives in the sector. The table below indicates compliance levels in cooperatives captured on CODAS.

TABLE 33: Compliance in cooperatives in the sector

Province	Compliance area	Number of cooperatives		Variance
		2010/11	2012/13	
Eastern Cape	Accounting and Bookkeeping	15	37	22
	Annual Financial Audit	11	21	10
	VAT compliance	11	21	10
	Profit tax compliance	11	22	11
	Cooperative principles	7	28	21

Province	Compliance area	Number of cooperatives		Variance
		2010/11	2012/13	
Free State	Accounting and Bookkeeping	9	27	18
	Annual Financial Audit	6	17	11
	VAT compliance	7	33	26
	Profit tax compliance	6	16	10
	Cooperative principles	6	24	18
Gauteng	Accounting and Bookkeeping	9	18	9
	Annual Financial Audit	2	9	7
	VAT compliance	3	10	7
	Profit tax compliance	3	10	7
	Cooperative principles	13	23	10
Kwazulu Natal	Accounting and Bookkeeping	47	76	30
	Annual Financial Audit	25	52	27
	VAT compliance	27	53	26
	Profit tax compliance	25	51	26
	Cooperative principles	31	62	31
Limpopo	Accounting and Bookkeeping	37	93	56
	Annual Financial Audit	27	70	43
	VAT compliance	25	63	38
	Profit tax compliance	35	81	46
	Cooperative principles	36	103	67
Mpumalanga	Accounting and Bookkeeping	64	108	44
	Annual Financial Audit	59	96	37
	VAT compliance	57	76	19
	Profit tax compliance	56	115	59
	Cooperative principles	56	118	62
Northern Cape	Accounting and Bookkeeping	5	8	3
	Annual Financial Audit	1	3	2
	VAT compliance	4	7	3
	Profit tax compliance	0	8	8
	Cooperative principles	1	15	14
North West	Accounting and Bookkeeping	8	43	35
	Annual Financial Audit	8	40	32
	VAT compliance	8	42	34
	Profit tax compliance	6	37	31
	Cooperative principles	9	45	36
Western Cape	Accounting and Bookkeeping	3	10	7
	Annual Financial Audit	3	1	2
	VAT compliance	3	4	1
	Profit tax compliance	3	0	(3)
	Cooperative principles	3	19	16

4.14. Summary of compliance by cooperatives in the sector

TABLE 34: Summary of compliance by cooperatives in the sector

Compliance area	Number of cooperatives complying		
	2010/11	2012/13	Variance
Accounting and bookkeeping	197	420	223
Annual financial audit	142	309	167
VAT compliance	145	309	164
Profit tax compliance	145	340	195
Cooperative principles	162	437	275

According to Table 34, the level of compliance on the five areas identified ranges from 26% to 37% of the total number of cooperatives. Although the number of cooperatives that complies with the identified areas has increased, there is still work to be done to ensure that there is full compliance by the cooperatives in the sector. Capacity-building programmes such as the Farmtogether are, to a greater extent, assisting in this regard.

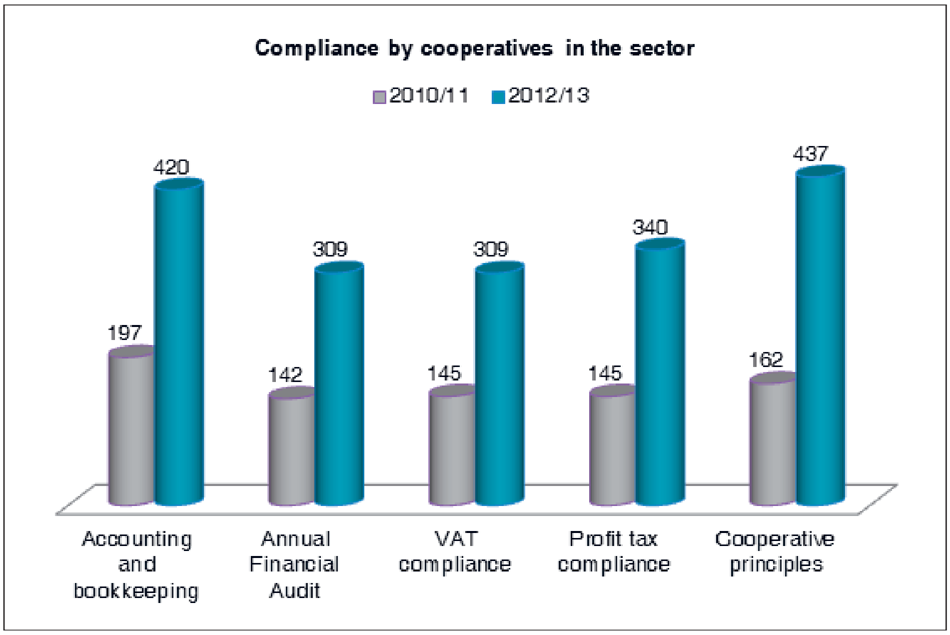


Figure 17: Compliance by cooperatives in the sector

Cooperatives captured on CODAS are classified according to their operational status. Nine classifications have been developed for this purpose and are listed below:

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: Liquidated

I: Closed

4.15. Operational status of cooperatives in the sector

TABLE 35: Operational status of cooperatives in the sector

	Operational status								
Province	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
Eastern Cape	69	35	10	3	14	8	0	0	0
Free State	15	7	10	5	13	3	0	0	0
Gauteng	21	23	9	2	1	0	1	0	0
KwaZulu-Natal	103	107	25	9	43	53	0	0	0
Limpopo	87	41	9	8	38	16	1	0	0
Mpumalanga	23	64	22	0	13	4	0	0	0
Northern Cape	22	32	7	0	3	0	6	0	0
North West	65	39	13	2	27	22	2	0	0
Western Cape	7	5	2	1	19	15	0	0	0
Total	**412**	**353**	**107**	**30**	**171**	**121**	**10**	**0**	**0**

TABLE 36: Comparison of cooperatives according to their operational status (2010/11 and 2012/13)

Year	Operational status								
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
2010/11	266	238	90	20	139	76	7	0	0
2012/13	412	353	107	30	171	121	10	0	0
Variance	146	115	17	10	32	45	3	0	0

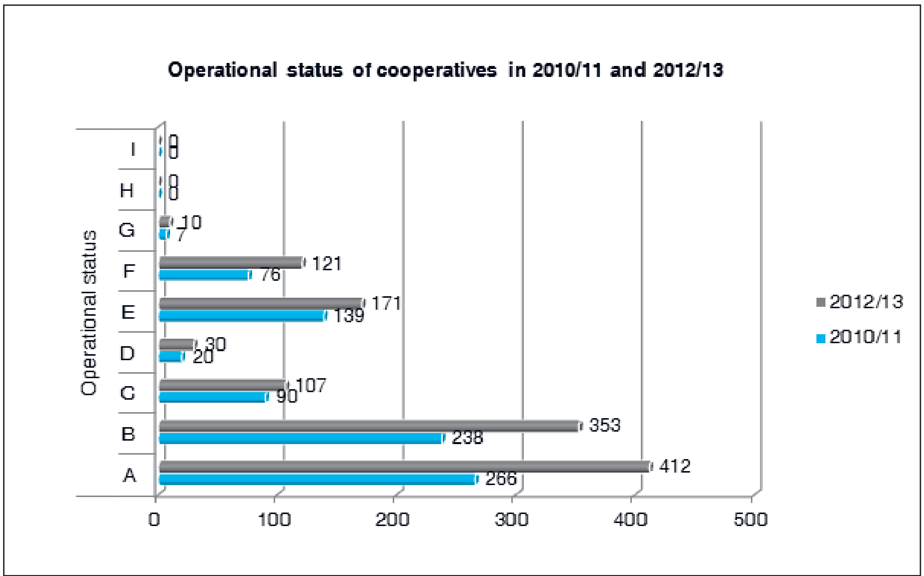


Figure 18: Operational status of cooperatives in the sector

According to Table 35, 35% of the total cooperatives are classified as being operational and expanding and 30% classified as operational and stable. The numbers have also edged up from the 2010/11 baseline report. A small percentage (10 cooperatives) are classified as dormant with no potential of being resuscitated.

4.16. Landownership

Land and agrarian reform is one of the key government objectives aimed at redressing the imbalances of the past, created by the impact of the Natives Land Act of 1913, that deprived the majority of South Africa's inhabitants of the right to own land, which had major socio-economic repercussions. Cooperatives are playing a role in land redistribution in the country and table 37 below indicates the size of land occupied by cooperatives in the sector.

TABLE 37: Landownership by cooperatives

Province	Nature of landownership				
	Cooperatives with title deeds	Cooperatives with lease agreements	Cooperatives with permission to cc-cupy (PTO)	Cooperatives with non-specified land-ownership	Size of land in (ha)
Eastern Cape	17	5	8	109	8 414
Free State	18	17	18	0	6 651
Gauteng	9	9	0	39	2 735
KwaZulu-Natal	19	7	35	279	6 247
Limpopo	46	10	65	79	17 198
Mpumalanga	22	0	0	104	8 457
Northern Cape	4	6	22	38	33 329
North West	24	25	51	70	56 090
Western Cape	27	1	3	4	567
Total	**186**	**80**	**282**	**722**	**139 688**

In terms of landownership, the combined cooperatives in this report utilise 139 688 ha of land. One hundred and eighty six (186) cooperatives have title deeds to their land, 80 have lease agreements, 282 have permission to occupy while the ownership of 722 cooperative is unknown (Table 42).

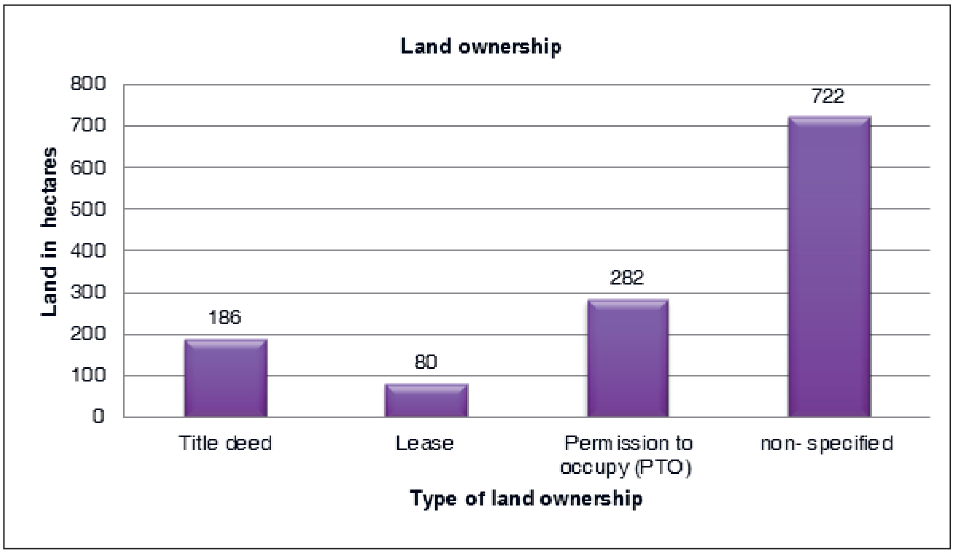


Figure 19: Landownership by cooperatives

4.17. Market opportunities for cooperatives in the sector

South Africa's food markets are estimated to be worth over R200 billion, with the fresh produce sector commanding a 15% share. Food markets in South Africa are highly concreted and integrated and governed by a few oligopolistic agribusinesses. Four retail chains (Shoprite-Checkers, Pick n Pay, SPAR and Woolworths) increasingly dominate fresh produce markets, which has resulted in the displacement of traditional markets such as the National Fresh Produce Markets. Supermarkets are bargain hunters, increasingly looking for producers who can guarantee not only competitive pricing but quality, quantity and consistency. Restructuring processes, allowing supermarkets to dominate fresh food markets, often shun smallholder farmers, because of the high transaction costs incurred in coordinating smallholder farmers.

Harvesting time! Vegetables being loaded onto a truck for the market in Makhathini (Jozini). This cooperative relies on local supermarkets for their products.

The smallholder farmer cooperatives captured on CODAS participate in multiple markets, ranging from formal to informal, but informal market participation dominates. Market diversification is probably a risk mitigation strategy, given the price volatility and quality differentiation experienced in the fresh produce sector.

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Contrary to the conventional view that supermarkets fail to source produce from smallholders, some (e.g. SPAR and Pick n Pay) do undertake local procurement—largely from smallholder farmers. This shift away from centralised procurement allows some smallholder farmers to participate in mainstream markets, but their potential is limited by the difficulties of maintaining quality and consistent supply. This requires cooperatives to integrate horizontally and vertically so as to increase their volumes. In terms of quality, the Department, through the Directorate: Food Import and Export Standards, is providing support to smallholder farmer cooperatives on issues of food safety and quality assurance.

4.17.1. Market opportunities for cooperative products by provinces

The tables that follow on the next pages indicate institutions procuring directly from smallholder farmers' cooperatives in provinces and the number of cooperatives they procure from.

4.17.1.1. Limpopo

TABLE 38: Institutions procuring from cooperatives in Limpopo

Institution supplied	Number of cooperatives supplying
Pick n Pay	2
Vhembe Fresh Produce	1
Johannesburg Fresh Produce	3
Am-Pak	1

4.17.1.2. KwaZulu-Natal

TABLE 39: Institutions procuring from cooperatives in KwaZulu-Natal

Institution supplied	Number of cooperatives supplying
Hotels	1
Hospitals	7
Local supermarkets	10
Pietermaritzburg Fresh Produce Market	1
SPAR	3
Dundee Milling	1
Natalia Market	1
Boxer	3
SAFGRI	1
RBM	3
School Feeding Schemes	2
Pills Honey Company	1
University of Zululand	1
Walmart (Massmart)	2
Clinics	1
Schools	1

4.17.1.3. North West Province

TABLE 40: Institutions procuring from cooperatives in North West

Institution supplied	Number of cooperatives supplying
Senwes	1
P Farm	1
Fruit and vegetables	1
Swartruggens Livestock Auction	1
Noordkaap	1
Karoo-Ochse	1
Kok en Seuns	1

4.17.1.4. Free State Province

TABLE 41: Institutions procuring from cooperatives in the Free State

Institution supplied	Number of cooperatives supplying
J S Poultry	1
Supreme Chicken	1
BKB Wool	1
Econ Fish	5
Oudtshoorn	1
Thaba Nchu Butchery	1
Sky Country	1
Shoprite	1
Tshwane Fresh Produce Market	1
Mangaung Fresh Produce Market	2
Bloemfontein Abattoir	1

Aquaculture cooperatives in Xhariep (Free State)

4.17.1.5. Northern Cape

TABLE 42: Institutions procuring from cooperatives in the Northern Cape

Institution supplied	Number of cooperatives supplying
Pick n Pay and SPAR	1

4.17.1.6. Gauteng

TABLE 43: Institutions procuring from cooperatives in Gauteng

Institution supplied	Number of cooperatives supplying
Pick n Pay, Swazi Inn and local retailers	1

4.17.1.7 Eastern Cape

TABLE 44: Institutions procuring from cooperatives in the Eastern Cape

Institution supplied	Number of cooperatives supplying
SPAR	3
Boxer	2
Steers	1
Hoppsin & Karen Beef	1

4.18. Summary of institutions procuring from cooperatives

TABLE 45: Summary of institutions procuring from cooperatives

Type of market	Number of cooperatives
Retail chains (Pick n Pay, Shoprite, SPAR, Boxer, Massmart)	20
Local supermarkets	15
Hotels	1
Hospitals	7
Fresh produce markets	7
Other formal markets	28
Total	**78**

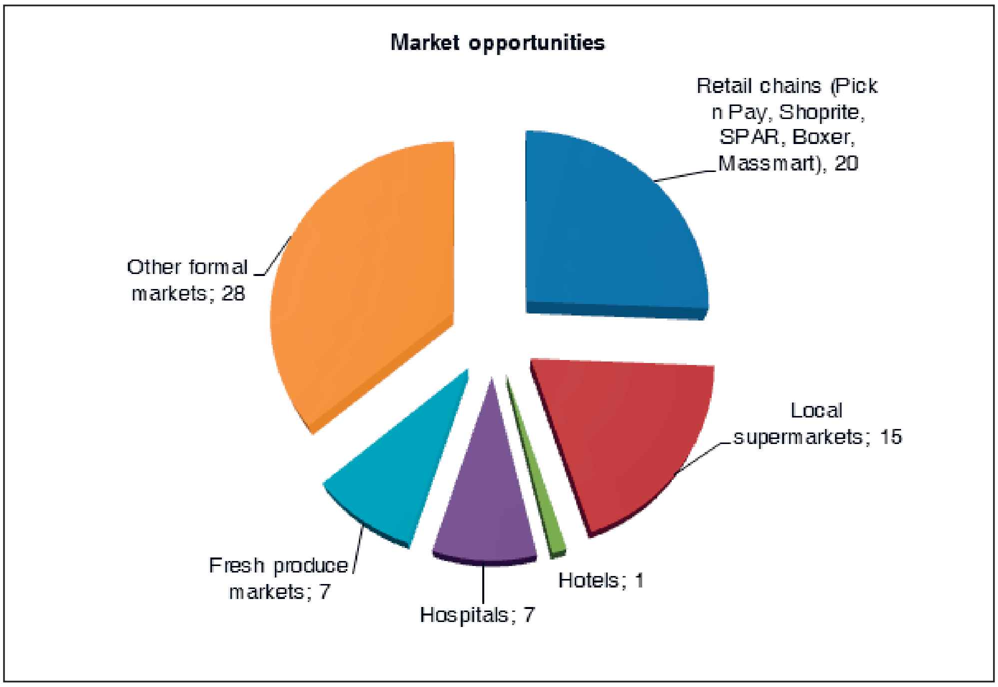

Figure 20: Formal market opportunities

According to the summary above, 78 cooperatives are selling to formal markets. The measure retail chains of Pick n Pay, Shoprite, SPAR, Boxer and Massmart procure directly from 20 of the cooperatives captured on CODAS. Seven cooperatives in KwaZulu-Natal have market contracts to supply 23 hospitals.

Cooperative producing for Massmart in KZN (Ndumo B)

5. CONCLUSION

The 2012/13 report provides insight into the status of cooperatives in the agriculture, forestry and fisheries sectors based on the number of cooperatives captured on CODAS. In order to determine trends in cooperatives, comparisons are made between the Baseline report compiled in 2010/11 and this report.

According to this report, the majority of cooperatives in the sector are still participating in primary agriculture which limits their potential to realise higher economic returns, reduce post-harvest losses, increase productivity and create additional job opportunities. This could only be achieved if cooperatives participate in secondary and tertiary agriculture by engaging in value-adding and processing activities. One of the reasons why cooperatives in the sector are unable to participate in secondary and tertiary agriculture is lack of appropriate infrastructure. There is therefore a need for government to increase investment in the sector by making appropriate infrastructure available to cooperatives in the sector.

Lack of capacity has also been identified as one of the factors limiting the ability of cooperatives in the sector to improve productivity and increase job opportunities. The implementation of the Farmtogether cooperative training programme, which focuses on, among others, adequate record keeping, has assisted cooperatives to recognise the importance of keeping records and this has increased the number of cooperatives producing financial statements in compliance with the dti's requirements for cooperatives to submit annual financial statements. The partnership of DAFF, AgriSETA and DRDLR will further increase capacity in a number of smallholder farmers' cooperatives. This will with no doubt, increase productivity and efficiency in smallholder cooperatives.

According to the report, cooperatives in the sector still heavily rely of grant funding to sustain their operations. They have not been able to attract financial support from commercial financial institutions mainly owing to the fact that are classified as high risk to invest in because of high levels of conflict as a result of group dynamics. Through capacity-building programmes, cooperatives are supported to strengthen their governance and operational capacity to ensure that their operations are run on sound business practices.

Very few cooperatives are supplying formal markets such as the major retail chains in South Africa. This could be attributed to the inability of cooperatives in the sector to supply the right quality and quantity consistently. The drive by the Department is to mobilise existing primary cooperatives into secondary marketing cooperatives to ensure that there is integration of the activities by primary cooperatives to increase their volumes and ensure that they are able to add value and process their products. This will ensure that they attract formal markets to procure directly from smallholder farmers' cooperatives, thereby increasing their economic returns and creating additional job opportunities. The Directorate: Cooperatives and Enterprise Development is collaborating with the Import and Export Standards Directorate, to ensure that cooperatives in the sector are capacitated on issues of food safety and quality assurance.

Tomato value-adding cooperatives in Mdantsane (Eastern Cape Province)