

Annual report on the status of agricultural co-operatives

2010/11



agriculture,
forestry & fisheries

Department:
Agriculture, Forestry and Fisheries
REPUBLIC OF SOUTH AFRICA

2010/11 ANNUAL REPORT ON THE STATUS OF COOPERATIVES IN THE SECTOR



COMPILED BY THE DIRECTORATE: CO-OPERATIVES AND ENTERPRISE DEVELOPMENT

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ACRONYMS

ARC	: Agricultural Research Council
CASP	: Comprehensive Agricultural Support Programme
CED	: Cooperatives and Enterprise Development
CDW	: Community Development Workers
CRDP	: Comprehensive Rural Development Programme
CODAS	: Cooperative Data Analysis System
DAFF	: Department of Agriculture, Forestry and Fisheries
ICA	: International Cooperative Alliance
IDT	: Independent Development Trust
LED	: Local Economic Development
LIBSA	: Limpopo Business Support Agency
Mafisa	: Micro-agricultural Financial Institutions of South Africa
MTSF	: Medium Term Strategic Framework
NDA	: National Development Agency
NQF	: National Qualifications Framework
CIPC	: The Companies and Intellectual Property Commission
PDA's	: provincial departments of agriculture
SMMEs	: Small, Medium and Micro Enterprises
UN	: United Nations

FOREWORD BY THE ACTING DIRECTOR: CO-OPERATIVES AND ENTERPRISE DEVELOPMENT

I have the pleasure in presenting this annual report on the status of cooperatives in the agriculture, forestry and fisheries sector for the financial year 2010/11. This report is based on data of agricultural cooperatives available on the Cooperative Data Analysis System (Codas) provided by the provincial departments of agriculture. Data are collected using a scientific questionnaire covering a wide range of variables perceived to be critical for the success of a cooperative. It is widely acknowledged that smallholder farmer cooperatives make an important contribution to sustained economic growth and to making markets function better for the poor. More specifically, agricultural co-operatives play an important role in food production, distribution and in supporting long-term food security.

However, in South Africa smallholder farmer cooperatives are yet to significantly contribute towards poverty reduction and food security. This, as will be noticed in the report, may be attributed to a number of factors. Lack of access to finance has, among others, contributed to the demise of a number of agricultural cooperatives. The fact that only 183 of the 836 cooperatives have had some form of financial support is indicative of the above scenario. Liquidity therefore becomes a key constraint. The low capacity and educational levels in agricultural cooperatives is the main reason for weak management, poor governance and inability to effectively run their enterprises on sound business practices.

It gives me pleasure to announce that for the first time in the history of cooperatives in the country, an accredited Cooperative Training Programme has been developed and plans are afoot to implement it in the provinces. This will with no doubt reduce the challenge of lack of capacity in agricultural cooperatives through imparting of skills to enhance the ability of members to effectively and efficiently run their cooperatives on solid business practices. The first phase in implementing this programme involved building capacity in departmental officials, including colleges of agriculture. Officials responsible for cooperative development within the Department of Agriculture, Forestry and Fisheries (DAFF), provincial departments of agriculture as well as Colleges of Agriculture were identified and trained on the programme.

It is also encouraging to note from the report that some cooperatives are benefiting from the departmental financing programmes like the Comprehensive Agricultural Support Programme (CASP) and the Micro-agricultural Financial Institutions of South Africa (Mafisa). According to this report, sixty five (65) cooperatives in the provinces were funded through CASP to the amount of R35m. Thirteen more cooperatives have been supported with production input loans amounting to the amount of R4,7 m through Mafisa. However, this is not enough. I would therefore want to take this opportunity to encourage more smallholder farmer cooperatives to take advantage of these available funding opportunities within the department and outside the department.

EXECUTIVE SUMMARY

The 2010/11 report on cooperatives is a reflection of the status of cooperatives in the agriculture, forestry and fisheries sector. In the main, this report provides a detailed overview of activities relating to these cooperatives. This is arrived at by performing multiple analysis using a variety of indicators ranging from financial performance of co-operatives, accessibility to finance, gender analysis, management, capacity building, compliance to educational levels to mention just but a few.

The report indicates that there are 836 agricultural cooperatives on the Cooperative Data Analysis System. Of the 836 cooperatives on Codas, 306 are found in the province of KwaZulu-Natal, which makes 36% of the total cooperatives. In terms of commodities the bulk of cooperatives are into the so-called 'multipurpose' or mixed farming. These are those cooperatives that are involved in different commodities at a time. KwaZulu-Natal has the highest concentration of vegetable producing co-operatives while the Eastern Cape tops with crop producing cooperatives. The Northern Cape and KwaZulu-Natal have 38 and 37 livestock producing cooperatives respectively. Livestock cooperatives in the Northern Cape are mainly constituted by goat farmers.

In terms of capacity the report indicates that around 23% of the total cooperatives have received some form of training to build their capacity to effectively manage their enterprises. However, the 77% of cooperatives that do not have capacity is a worrying factor. Equally, the report further indicates that there are only 12 cooperative managers with a post-matric qualification, 141 with between grade 8 and 12 and 21 managers with up to grade 7. It is anticipated that with the implementation of the Farmtogether co-operative training, over time, the issue of lack of capacity will be a thing of the past.

In terms of financial performance cooperatives have an average turnover of around R43 m. Sixty five (65) cooperatives have received grants from the DAFF totalling R35 m. The bulk of this money was disbursed by the province of KwaZulu-Natal, amounting to R15 m. However, collectively, 183 cooperatives were funded through grants totalling R86 m and Limpopo Province tops all the provinces with 42 cooperatives funded with R36 m followed by KwaZulu-Natal with R22 m worth of support to 51 cooperatives. In comparison, 183 cooperatives received grant funding totalling R86 m as compared to 51 cooperatives granted loans equalling R28 m. This makes the grant/loan ratio 75/25. This means that 75% of financial support to cooperatives is in a form of grants while the remaining 25% is loans. Thirteen co-operatives have benefited from the Mafisa production loans.

A total of 2 389 job opportunities were created by cooperatives in the sector. Sixty five percent (65%) of this (1 858) is made up of permanent jobs while (33%) 981, was jobs of a temporary in nature. However, capacity building and lack of access to finance and markets remains a challenge.

ANNUAL REPORT ON THE STATUS OF COOPERATIVES IN THE AGRICULTURE, FORESTRY AND FISHERIES SECTOR FOR 2010/11

1. Introduction

In 2009, the Minister of Rural Development and Land Reform approved the Comprehensive Rural Development Programme (CRDP) as one of the key strategic priority areas of government as outlined in the Medium Term Strategic Framework (MTSF). Within the context of the government's rural development strategy, the thrust towards cooperative development occupies an important place in the CRDP. According to the CRDP, the drive to agrarian reform will focus on, among others, the establishment of rural business initiatives, agro-industries and cooperatives in villages and small, rural towns.

This report looks at the the strategic objectives of the cooperative development unit and tools designed to achieve these objectives. It will also look at some of the main challenges facing cooperatives in the sector. A number of variables are then used to establish the true status of agricultural cooperatives. The report will conclude by providing the general challenges cooperative face and draw some recommendations on possible intervention measures to remedy some of the challenges identified by this report.

2. Background

According to the International Cooperative Alliance (ICA) a cooperative is defined as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. These organisations are based on core values of self-help, self-responsibility, democracy, equality, equity and solidarity. Cooperatives appear to operate on a significant scale in developing countries and studies have shown that over 7% of the African population is affiliated to primary co-operatives. In South Africa this is evidenced from the thousands of cooperatives registered with the Office of the Companies and Intellectual Property Commission (OCIP).

Cooperatives are widely regarded to have a potential impact on development and poverty reduction. According to the United Nations (UN) these organisations have a wide-reaching direct and indirect impact on socio-economic development. More specifically, agricultural cooperatives play an important role in food production and distribution, and in supporting long-term food security. Cooperatives can create productive employment, raise incomes and help to reduce poverty. Some agricultural co-operatives improve farm productivity by obtaining inputs at low cost; encourage sustainable farming techniques and developing member's management and organisational skills.

Agricultural cooperatives also promote the participation of women in economic production, which, in turn helps in food production and rural development. Through co-operatives, women are able to unite in solidarity and provide a network of mutual support to overcome cultural restrictions predominantly in African countries to pursuing economic or commercial activities. Smallholder farmers are able to increase their productivity and income by collectively negotiating better prices for inputs like fertiliser, seeds, transport and storage through cooperatives. They can also help farmers expand market access and capture more of the value chain, for example by getting involved in value adding or gro-processing activities.

Despite all evidence of the significant role played by cooperatives, particularly those of agriculture, in nature as shown by several studies, these enterprises are not without challenges. They face real challenges among others in a form of limited access to credit, inability to scale up their activities as well as to penetrate markets. Lack of liquidity is one of the key constraints facing cooperatives. Coupled with this is the issue of capacity. Elite capture and male domination, especially on management and leadership roles, are some of the common problems.

This report therefore, focuses on analysing the current data on agricultural co-operatives captured on Codas with a view of obtaining a true picture of the status of cooperatives in the sector.

3. Objectives of the report

It is the primary objective of this report to provide insight and a detailed account of the status of cooperatives in the sector. This will be achieved by analysing data on agricultural cooperatives using different variables, ranging from financial performance, employment creation, gender analysis, turnover, financial support, etc. This report will also outline some of the major constraints inhibiting success in cooperatives and provide some recommendations on what intervention measures to implement to correct the current state of affairs.

4. Strategic objectives of the Cooperative Development Unit

It should be mentioned that since 2002 the overall mandate for cooperatives resides with the Department of Trade and Industry, which acts a central coordinating institution for all cooperative activity. The DAFF, however, remains responsible for the development of cooperatives in the sector. Within the department the cooperative development function is the responsibility of the Directorate: Co-operatives and Enterprise Development. In pursuing its mandate the directorate is guided by the following key deliverables:

- Develop policy, norms and standards for cooperative and enterprise development.
- Develop strategies and programmes for cooperatives and enterprise development.
- Coordinate government departmental and provincial policy inputs and programmes with regard to cooperatives and enterprise development.
- Manage the implementation of the cooperatives and enterprise development policies, strategies and programme.
- Promote and coordinate entrepreneurial development linkages.
- Establish and promote mentorship and other support mechanisms.

5. Strategies or instruments to achieve departmental strategic objectives

In attaining the abovementioned deliverables the following instruments and programmes have been developed:

5.1. Database of agricultural cooperatives

Lack of reliable information management systems has been a major challenge facing cooperatives, including those in agriculture. For one to be able to make an informed decision on the nature and type of intervention(s) to implement, one needs to have adequate and reliable information at his disposal. The Codas was specifically designed to address this constraint. This is a web-based tool that is used to store data on cooperatives in the sector. Once data are available on the system collation and analysis can be done to generate various reports responding to a variety of questions the authorities and co-operators might be facing at any given time.

5.2. Training and capacity building

Lack of capacity in agricultural cooperatives has been found to be one of the key constraints to cooperative success. Many cooperatives suffer from poor management, poor governance and lack of business skills. Profitable cooperatives invariably function as demand directed and market-oriented businesses which invest in quality management and business development. Faced with this challenge of lack of capacity, the DAFF in collaboration with AgriSETA as an accrediting institution in the sector developed a training programme called the Farmtogether Agricultural Cooperative Training Programme.

The programme was launched in 2010 and its first phase implemented in the same year. This involved building capacity in the PDAs, Colleges of Agriculture and within the DAFF. Dedicated officials responsible for co-operative development were identified in these institutions and trained on the programme. The second phase of the programme is the roll out which is planned to take place over a three-year period commencing in the current financial year 2011/12.

5.3. Assessment Questionnaire

Intervention programmes should be informed by the needs of the client. To be able to plan and effectively deliver programmes, a thorough needs assessment should be conducted. The assessment questionnaire was developed for this purpose.

5.4. Guidelines on establishment of agricultural cooperatives

This is a user friendly document that provides basic step-by-step procedures to be followed to form and register an agricultural cooperative. It also provides some basic concepts of cooperation and defines the cooperative concept as an alternative business model. This document is also available on the departmental website.

5.5. Commodity Approach Model (Integrated Agricultural Cooperative Development Model)

This model seeks to ensure that farmers are able to maximise their benefits by grouping themselves according to commodities at ward level. All the mobilised commodity groups will then form a secondary agricultural cooperative at a municipal level. The formation of a secondary structure at municipal level is premised on the fact that commodity groups and primary agricultural cooperatives face common challenges of lack access to finance, land, business training, marketing and agro-processing opportunities. The secondary structure is established precisely to deal with these challenges and promotes savings among the members.

6. CHALLENGES HINDERING COOPERATIVE DEVELOPMENT IN THE SECTOR

Literature suggests that agricultural cooperatives around the world play a significant role in poverty reduction and rural development. More specifically, the acknowledgement that agricultural cooperatives play an important role in food production and distribution and in supporting long-term food security cannot go unnoticed. Despite these, agricultural cooperatives still face numerous challenges which include the following:

6.1. Accessibility to finance

Agricultural cooperatives like cooperatives in other sectors are constrained by difficulty in accessing the required finance. Lack of liquidity has been found to be one of the key constraints facing cooperatives. The absence of a dedicated development fund for co-operatives in the sector impedes the development and prosperity of these cooperatives. Farmers have the business ideas but lack funds to implement these ideas.

The cumbersome, stringent and often ambiguous conditions set by the mainstream commercial financial institutions is not helping either. The fact that smallholder farmers and cooperatives in particular, do not have collateral to secure loans from the private sector calls for planning and introduction of a Cooperative Development Fund in the sector.

6.2. Low literacy levels and age of members

As will be noticed in this report, the majority of agricultural cooperatives have low literacy levels and capacity building is one of the key constraints limiting their success. Membership in cooperatives is predominantly constituted by the elderly who have the will to produce but lack the energy to do so. These continuously weakens management, governance and business skills in cooperatives.

6.3. Absence of clear strategic direction or mandate on cooperative development by provinces

In some provinces there are no clear guidelines or strategies outlining the role played by these provinces in cooperative development. This scenario makes it difficult to promote and support cooperatives in the sector in provinces. In the majority of provinces the co-operative function is the responsibility of the Agricultural Economics, Marketing and Statistics unit. However, the support of farmer organisations, including cooperatives, is provided by extension services. This situation complicates the implementation of co-operative development programmes in the provinces.

Often there is no harmony between units dealing with farmer support and those under which the cooperative development function resides. Evidence points to the fact that economics and marketing units are mainly housed at head office with one or two agricultural economists at district level. Extension services is better positioned to promote and support cooperatives as they are located closer to these enterprises and work with them directly.

6.4. Coordination between national and provincial departments, as well as other government agencies.

Generally there is lack of programme coordination between the DAFF, PDAs and other government agencies, resulting in each department or institution assisting farmers or cooperatives without consulting other relevant stakeholders. This normally results in duplication of activities and resources. An integrated development approach needs to be adopted.

7. ANALYSIS OF THE STATUS OF COOPERATIVES IN THE SECTOR

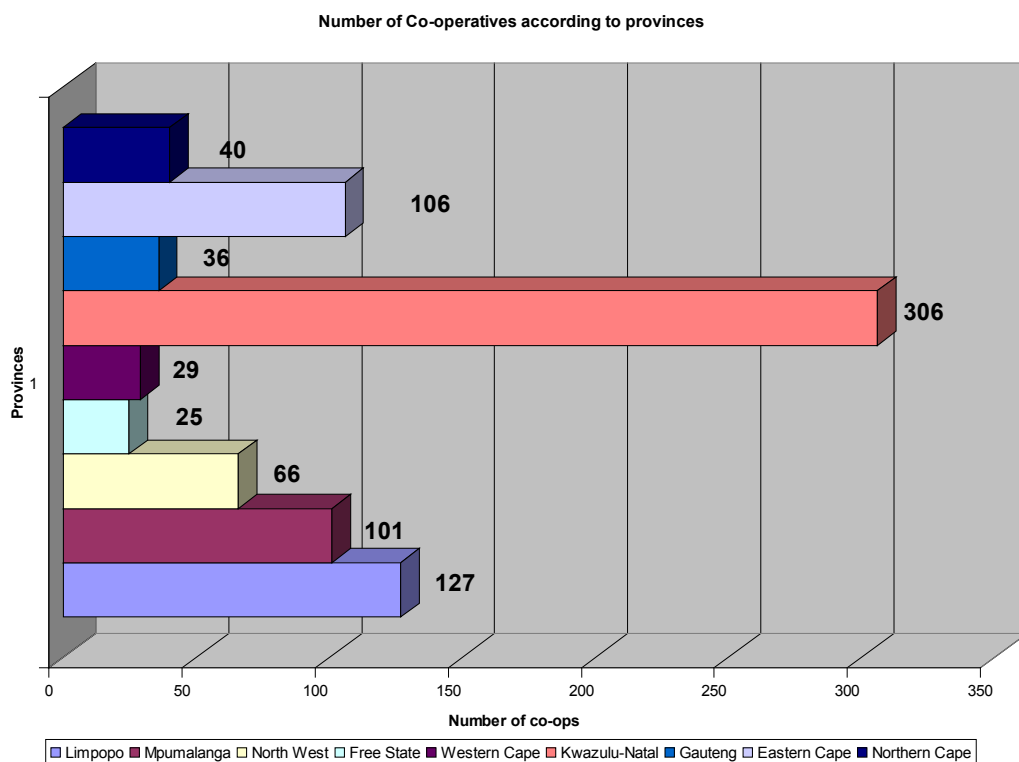
7.1. Cooperatives spread across provinces

The first analysis to look at is the number of agricultural cooperatives according to the provinces. The table below indicates that a high concentration of agricultural co-operatives is found in the province of KwaZulu-Natal with a total of 306 cooperatives constituting 37% of the total cooperatives on Codas. This is not surprising owing to the financial support and political drive in support of co-operatives in the province. Limpopo follows KwaZulu-Natal with 127 cooperatives translating into 15% of the total cooperatives on Codas. This could also be attributed to the financial support by Limpopo Business Support Agency (Libsa) in the province.

Name of province	Number of cooperatives
Limpopo	127
Mpumalanga	101
North West	66
Free State	25
Western Cape	29
KwaZulu-Natal	306
Gauteng	36
Eastern Cape	106
Northern Cape	40
Total	836

Table 1: Breakdown of cooperatives and commodity groups by provinces

The foregoing information is presented in a form of a graph as in Graph 1 below.



Graph 1. Cooperatives by provinces

1.2. Agricultural cooperatives according to commodities

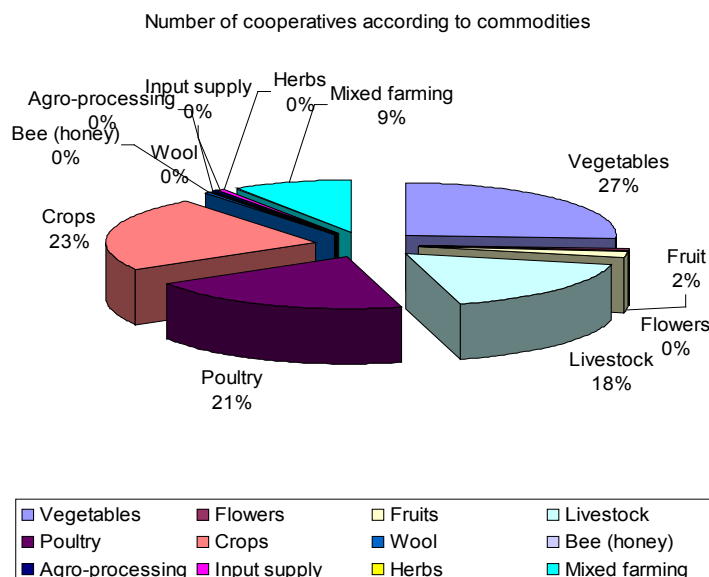
Type of commodity	Total number	Provinces								
		LP	MP	N.C	W.C	NW	KZN	GP	EC	FS
Vegetables	219	13	27		10	7	112	17	27	6
Flowers	4	1			1	1		1		
Fruit	13	2	0	0	5	1	3	0	2	0
Livestock	148	7	17	38	0	28	37	4	6	11
Poultry	172	29	21	1	7	9	87	8	9	1
Crops	192	41	25	0	6	15	50	2	51	2
Wool	1								1	
Bee (honey)	3	1		1					1	
Agro-processing	3	2						1		
Input supply	4		4							
Herbs	1							1		
Mixed farming	76	31	7	0		5	17	2	9	5
Totals	836	127	101	40	29	66	306	36	106	25

Table 2: Breakdown of cooperatives according to commodities by provinces

Table 2 above provides a breakdown of cooperatives in terms of commodities and how these cooperatives are spread across the country. The largest number of agricultural cooperatives falls within the category of mixed farming, comprising 152 co-operatives. This number amounts to 18% of the total cooperatives. These are those co-operatives that are involved in a number of agricultural productions and do not focus on only one commodity. A high concentration of vegetable cooperatives is found in KwaZulu-Natal with 112 cooperatives involved in vegetable production. The Northern

Cape and KwaZulu-Natal provinces top in the livestock commodity with 38 and 37 livestock cooperatives respectively. Livestock cooperatives in the Northern Cape are mainly involved in goat production.

Fifty one (51) coopeatives in the province of the Eastern Cape are involved in crop production. This is the province where the only wool producing cooperative is located. One cooperative is involved in the production of herbs for medicinal purposes in Gauteng Province. The high concentration of cooperatives in the mixed farming category is an illustration of lack of focus by smallholder farmers and the difficulty in accessing reliable markets by cooperatives can be attributed to this.



Graph 2: Analysis of cooperatives by commodities

1.1. Membership analysis in cooperatives (gender, youth and people with disabilities)

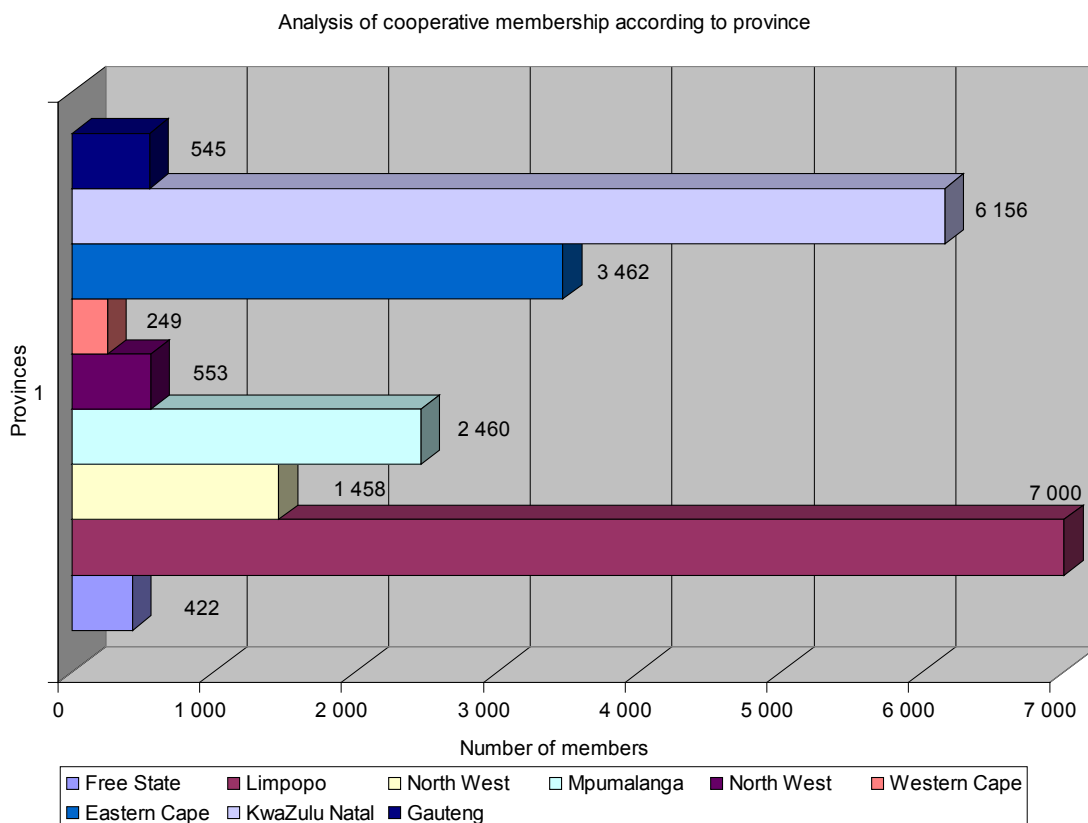
Province	Total number of member	Males	Females	Youth	PWD*
Free State	422	222	200	84	1
Limpopo	7 008	3 297	3 711	493	103
North West	1 458	614	844	118	14
Mpumalanga	2 460	1 081	1 379	370	19
N. Cape	553	222	323	73	8
W. Cape	249	99	150	4	0
E. Cape	3 462	1 493	2 094	332	54
KwaZulu-Natal	6 156	2 462	3 514	915	61
Gauteng	545	250	295	199	45
Total	22 313	9 803	12 510	2 588	315

*People with disabilities

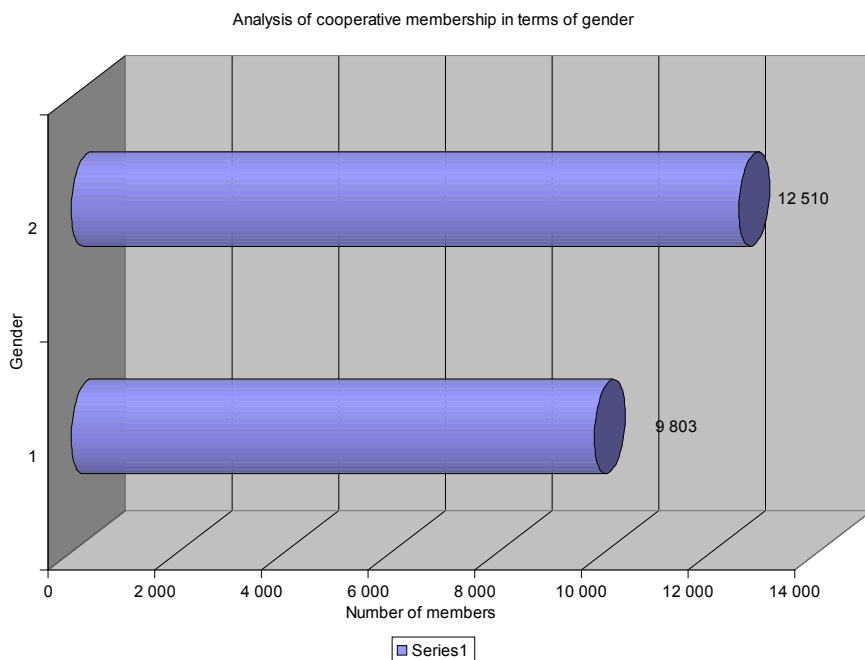
Table 3: Membership in agricultural cooperatives

Table 3 provides information on the total number of members who belong to co-operatives captured on Codas. The table indicates that a total of 22 313 members of the communities belong to agricultural cooperatives. Of this number 31% (7 008) of the members are in Limpopo Province. In terms of gender 56% (12 510) of the members are females while males constitute 43% (9 803). Eleven percent (11%) of the total membership in cooperatives totalling 2 588 is made up by youth while people with disabilities constitute only 1,4% of the total membership with only 315 members.

The figure below is a graphical representation of the information provided above.



Graph 3: Analysis of cooperative membership by provinces



Graph 4: Analysis of cooperative membership in terms of gender.

1.1. Management of cooperatives

Like any other enterprise, cooperatives have management comprising authoritative (board of directors) and executive (management team). The affairs of cooperatives are managed and controlled by a board of directors elected in accordance with the provisions of the cooperative's constitution in compliance with the Cooperatives Act. The Board of Directors is led by a chairperson. The Board of Directors is among others responsible for the appointment of managers in the cooperative. The analysis that follows looks at the number of cooperatives with managers and the gender of chairperson in agricultural cooperatives.

7.4.1. Cooperatives with managers

Co-ops with managers	Males	Females	Youth	PWD
313	178	135	10	2

Table 4: Number of cooperatives with full-time managers

Table 4 indicates that of the 836 cooperatives profiled and captured on Codas only 313 (37%) of them have full-time managers and 523 (62%) do not have managers. In terms of gender 178 managers (57%) are males and 135 (43%) are female managers.

7.4.2. Chairpersons in cooperatives: Gender analysis

Number of Chairpersons	Males	Females	Youth	PWD
836	347	489	42	4

Table 5: Gender analysis of chairpersons in cooperatives

The affairs of the all the 811 cooperatives on Codas are managed and controlled by a board of directors headed by a chairperson. The table above shows the gender breakdown of the chairpersons of these cooperatives. Women are in the majority when it comes to leadership of the board of directors at 58% amounting to 489 with their male counterparts accounting for 42% totalling 347. Youth chairperson stands at 5% (42) and people with disabilities accounting for 0,5%.

1.1. Capacity building in cooperatives: Skills acquired/required

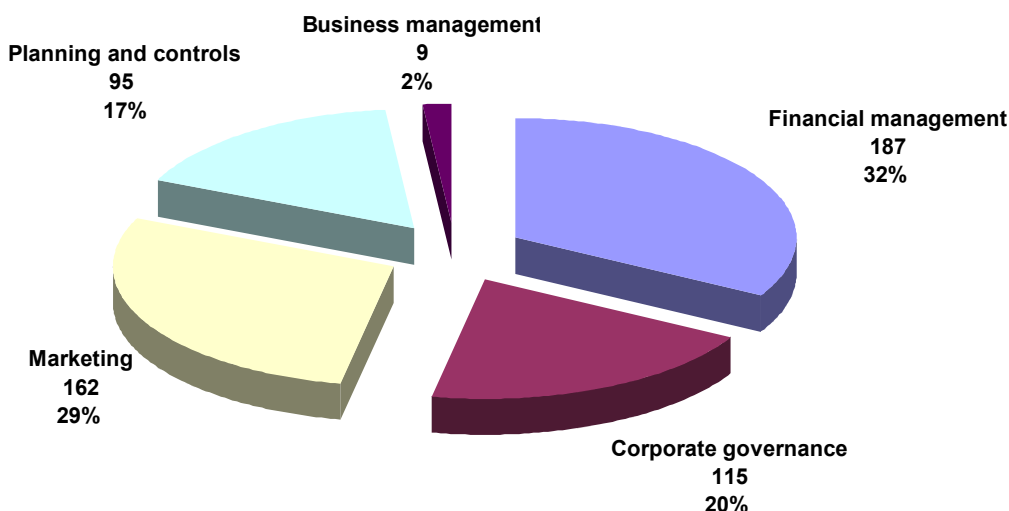
Type of training	Number of cooperatives attended/participated
Financial Management	187
Corporate Governance	115
Marketing	162
Planning and Controls	95
Business Management	9

Table 6: Capacity building gaps in agricultural cooperatives

Capacity building has been identified as one of the main factors hampering the progress in cooperatives across the sectors. Within the agricultural sector, five key learning areas have been identified as critical to the success of any cooperative. These learning areas include business management, financial management, cooperative governance, marketing and planning and controls. Twenty two per cent (22%) of the total cooperatives on Codas have received capacity in financial management. This translates into 187 cooperatives. Cooperatives trained in marketing issues constitute 19% and amount to 162 cooperatives. Cooperative governance and planning and controls constitute 14% and 12% respectively. Only 1% of the total cooperatives amounting to 8 were trained in business management issues.

In terms of the above scenario capacity building ranges from 2% to a maximum of 22%. Literally translated it means that on average 77% of the cooperatives profiled and captured on Codas were just established and have never received any form of training as in the table above. This scenario paints a rather worrying situation of which the lack of success in smallholder farmer cooperatives can be a contributory factor. With the implementation of the Farmtogether Agricultural Cooperative Training it is anticipated that this situation will be a thing of the past. This information is depicted graphically below.

Capacity building in co-operatives



Graph 5: Analysis of capacity building in cooperatives in terms of the five identified key learning areas.

7.6. Employment analysis in cooperatives: permanent and seasonal

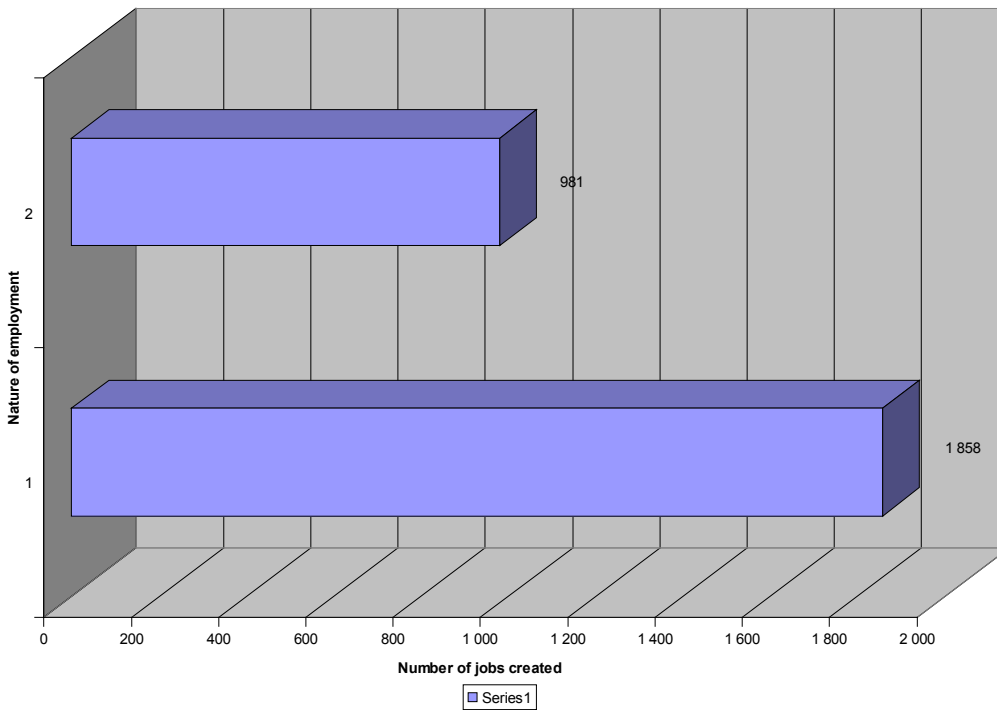
Province	Number of co-operatives	Permanent employees	Temporary/seasonal
Free State	25	87	8
North West	66	132	130
Mpumalanga	101	246	41
Limpopo	127	377	141
Northern Cape	40	14	4
Western Cape	29	6	0
Eastern Cape	106	325	210
Gauteng	36	151	22
KwaZulu-Natal	306	520	425
Total	836	1 858	981

Table 7: Employment created (Permanent and Seasonal)

Cooperative development is one of the key elements at the centre of the CRDP as encapsulated by the MTSF. It is generally believed and accepted that cooperatives can play a crucial role in reducing poverty and creating job opportunities, particularly in the rural areas. However, it should be noted that these enterprises are not the ultimate solutions but can play a pivotal role if properly established and adequately supported. The performance of cooperatives is often measured by, among others, the number of job opportunities they create. For the purposes of this report employment is classified as either permanent or temporary/seasonal.

Accordingly, Table 7 indicates that the 836 cooperatives on Codas have created a total of 2 839 job opportunities in the country. Of this figure 1 858 (65%) of those jobs were of a permanent in nature and 981, (35%) were of a temporary nature. The majority of these jobs were created in the province of KwaZulu-Natal with a total of 945 (33%) jobs (520 permanent and 425 seasonal) created. The graph below illustrates the above.

Employment opportunities created by cooperatives



Graph 6: Breakdown of job opportunities created.

7.7. Annual financial performance of agricultural cooperatives

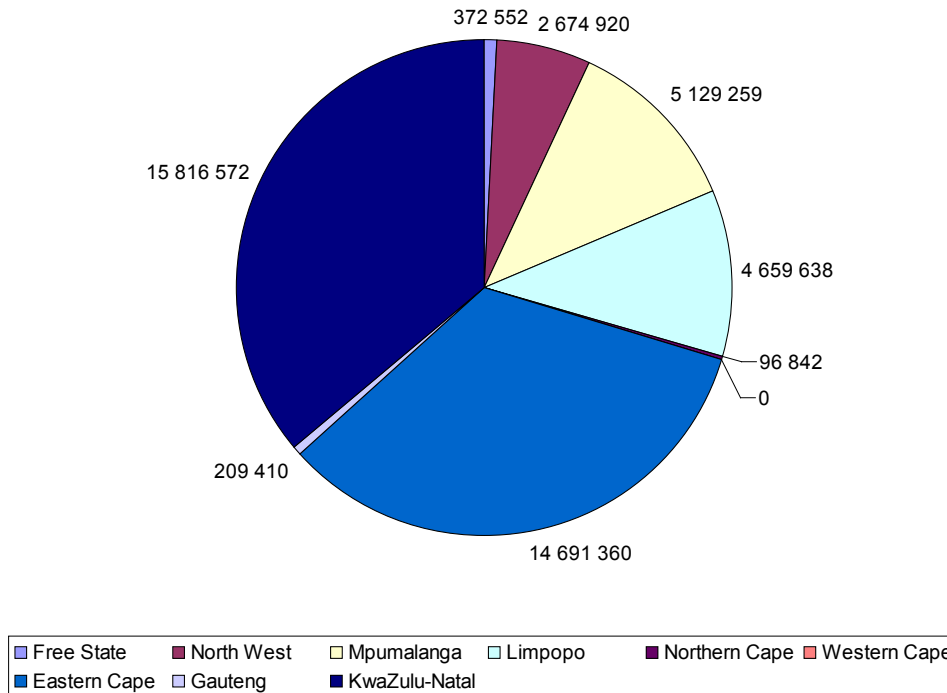
Province	Number of co-operatives	2010 turnover
Free State	25	372 552
North West	66	2 674 920
Mpumalanga	101	5 129 259
Limpopo	127	4 659 638
Northern Cape	40	96 842
Western Cape	29	0
Eastern Cape	106	14 691 360
Gauteng	36	209 410
KwaZulu-Natal	306	15 816 572
Total	836	43 650 553

Table 8: Annual turnover in cooperatives

The above table indicates the amount business agricultural cooperatives are making as measured by their annual turnover. It should be indicated at this stage that most of the cooperatives are often reluctant to provide this type of information for fear of disclosing it to their competitors or otherwise owing to the fact that the majority of co-operatives do not keep proper records. Nonetheless, according to the table agricultural cooperatives profiled collectively have a turnover of about R43 m per annum in 2010/11. A zero annual turnover in the Western Cape is not an indication of no business activity but that the cooperative turnover information was not supplied.

The 106 cooperatives captured from the Eastern Cape have a turnover of R14 m per annum constituting 31% compared to R9 m, accounting for 20% generated by 274 cooperatives in the province of KwaZulu-Natal. Twenty two percent (22%) of the turnover is generated by cooperatives in the province of Mpumalanga.

Cooperative turnover according to province



Graph 7: Analysis of annual turnover in cooperatives according to cooperatives

The above graph illustrates the annual turnover according to provinces and the figures have been rounded off to the nearest hundred thousand.

1.1. Financial support to cooperatives

One of the key limitations to cooperative success in the sector is lack of access to finance by these cooperatives. The available funding programmes targeting co-operatives either nationally or at provincial level are just not enough to ensure that more and more cooperatives with potential are able to enter the mainstream economy and make a significant contribution to poverty eradication and job creation. The analysis that follows relates to the type, sources and amounts of funding provided to co-operatives in the sector. The type of funding is categorised as grants and loans. The table below indicates the number of cooperatives funded by the DAFF nationally or provincially and the amounts thereof.

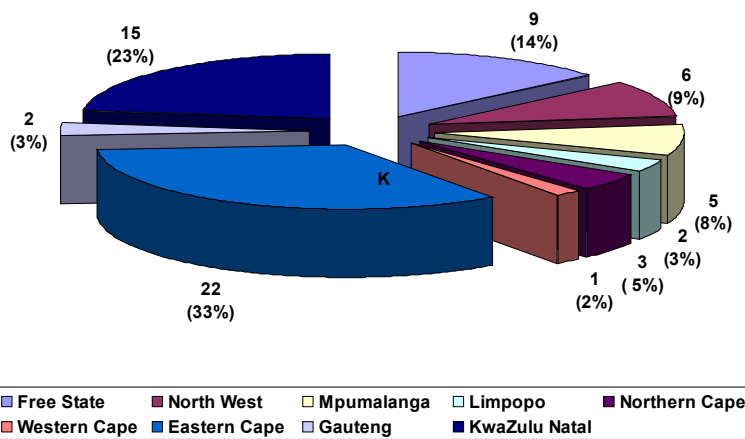
7.8.1. Agriculture funded cooperatives in provinces (grants)

According to the table below, out of the 836 agricultural cooperatives profiled only 65 cooperatives constituting 8% have been funded by the Department of Agriculture. The total amount advanced to these 65 cooperatives amounts to R35m. The majority of these cooperatives are found in the province of the Eastern Cape with 22 cooperatives representing 33% receiving a total of R5 m. However, the province of KwaZulu-Natal has fewer cooperatives funded by agriculture than the Eastern Cape but the amount advanced is almost three times more than the Eastern Cape. The R35 m was drawn from the departmental financing programmes mainly CASP.

Province	Number of co-ops existing	Number of co-ops funded by agriculture	Amount advanced
Free State	25	9	4 695 976
North West	66	6	3904930
Mpumalanga	101	5	1 655 000
Limpopo	127	2	2 582 700
Northern Cape	40	3	71400
Western Cape	4	1	500000
Eastern Cape	106	22	5 142 472.
Gauteng	36	2	660 000
KwaZulu-Natal	306	15	15 916 000
Total	811	65	35 128 478

Table 9: Agriculture funded cooperatives in all provinces

Number of cooperatives funded by the Department of Agriculture



Graph 8: Number of agricultural cooperatives funded by the Department of Agriculture in all the provinces

1.1.2. Number of cooperatives that received grant funding according to provinces

The tables that follow indicate the number of cooperatives that have received financial support from different sources in a form of grants.

Name of province	Number of co-ops	Amount of grant
Free State	14	5589497
North West	15	8322731
Mpumalanga	12	4344389
Limpopo	42	36763776
Northern Cape	7	118950
Western Cape	2	500,000
Eastern Cape	37	7013957
Gauteng	3	920000
KwaZulu-Natal	51	22531875
Total	183	86105175

Table 10: Number of co-ops receiving grants

1.1.1. Sources of grants to cooperatives according provinces

7.8.3.1. FREE STATE

Sources of grants	Amount of grant	Number of co-ops funded
Department of Agriculture	5079497	12
Erwee	10000	1
Others	500000	1
Total	5589497	14

Table 11: The nature and sources of grant funding in Free State

7.8.3.2. GAUTENG

Sources of grants	Amount of grant	Number of co-ops funded
Department of Social Development	920000	3
Total	920000	3

Table 12: The nature and sources of grant funding to cooperatives in Gauteng

1.1.1.3. EASTERN CAPE

Sources of grants	Amount of grant	Number of co-ops funded
Department of Agriculture	1,993,518	21
Shell SA	150,000	1
Chris Hani District Municipality	150,000	1
Department of Social Development	4,439,439	8
Mbizana Municipality	5000	1
Ukhahlamba District Municipality	70,000	2
Buffalo City	140,000	1
Land Bank	10,000	1
O R Tambo District Municipality	56,000	1
Total	7,013,957	37

Table 13: The nature and sources of grant funding to cooperatives in the Eastern Cape

7.8.3.4. NORTHERN CAPE

Sources of grants	Amount of grant	Number of co-ops funded
Department of Agriculture	71400	3
Local Government	47 550	4
Total	118,950	7

Table 14: The nature and sources of grant funding to cooperatives in the Northern Cape

7.8.3.5. WESTERN CAPE

Sources of grants	Amount of grant	Number of co-ops funded
Department of Agriculture	500,000	1
Total	500,000	1

Table 15: The nature and sources of grant funding to cooperatives in the Western Cape

7.8.3.6. LIMPOPO

Sources of grants	Amount of grant	Number of co-ops funded
Department of Agriculture	2,100 000	1
Limpopo Business Support Agency (LIBSA)	15 854 581	7
European Union	7, 000, 000	2
Department of Economic Development and Finance	2 507 700	3
Department of Health and Social Development	1 555 500	11
National Development Agency (NDA)	1 501 285	4
Africare	352 540	3
Roman Catholic Church	10,000	1
German International Land Volkdienste	60,000	1
Local Government	1 038 000	4
Agricultural Research Council (ARC)	2, 601,670	2
Pick n Pay	2,500	1
Greater Sekhukhune Municipality	180,000	1
Old Mutual	2, 000, 000	1
Total	36 763 776	42

Table 16: The nature and sources of grant funding to cooperatives in Limpopo

1.1.1.7 NORTH WEST

Sources of grants	Amount of grant	Number of co-ops funded
Department of Agriculture	3,904,930	6
City of Matlosana	50 000	1
Department of Social Development	3 587 601	4
Eco Fund	55000	1
Independent Development Trust (IDT)	585200	2
Ruth Mompati Municipality	140 000	1
Total	8,322,731	15

Table 17: The nature and sources of grant funding to cooperatives in North West

7.8.3.8. MPUMALANGA

Sources of grants	Amount of grant	Number of co-ops funded
Department of Agriculture	1 205 000	4
Department of Social Development	508,680	4
Finland	2,000,000	1
Equal Opportunity	89,000	1
Department of Rural Development and Land Reform	450,000	1
Land Bank	91,709	1
Total	4 344 389	12

Table 18: The nature and Sources of grant funding to co-operatives in Mpumalanga

7.8.3.9. KWAZULU-NATAL

Sources of grants	Amount of grant	Number of co-ops funded
Department of Agriculture	15 916 000	15
Local Government (District and Local Municipalities)	598 675	12
Ithala Bank	171 200	7
Gijima	2 390 000	2
Department of Economic Development	86000	2
Department of Health and Social Development	565 000	5
Department of local government and traditional affairs	1 200 000	1
Department of Public Works	1,200 000	1
Department of Arts and Culture	300 000	2
Uthungulu Foundation	15 000	1
Oxfarm	20 000	1
Mondi & Hullet	40 000	1
Nosa	30 000	1
Total	22 531 875	51

Table 19: The nature and sources of grants in KwaZulu-Natal

7.8.4. Loan Funding to agricultural cooperatives in provinces

Accessibility to finance is not only confined to grants but also loans. Government institutions, parastatals and the private sector continue to provide loans to qualifying and serve cooperatives across the country. The tables that follow indicate the different types of financing institutions providing loans to cooperatives in agriculture.

7.8.4.1. Financial Institutions providing loans to cooperatives in the sector

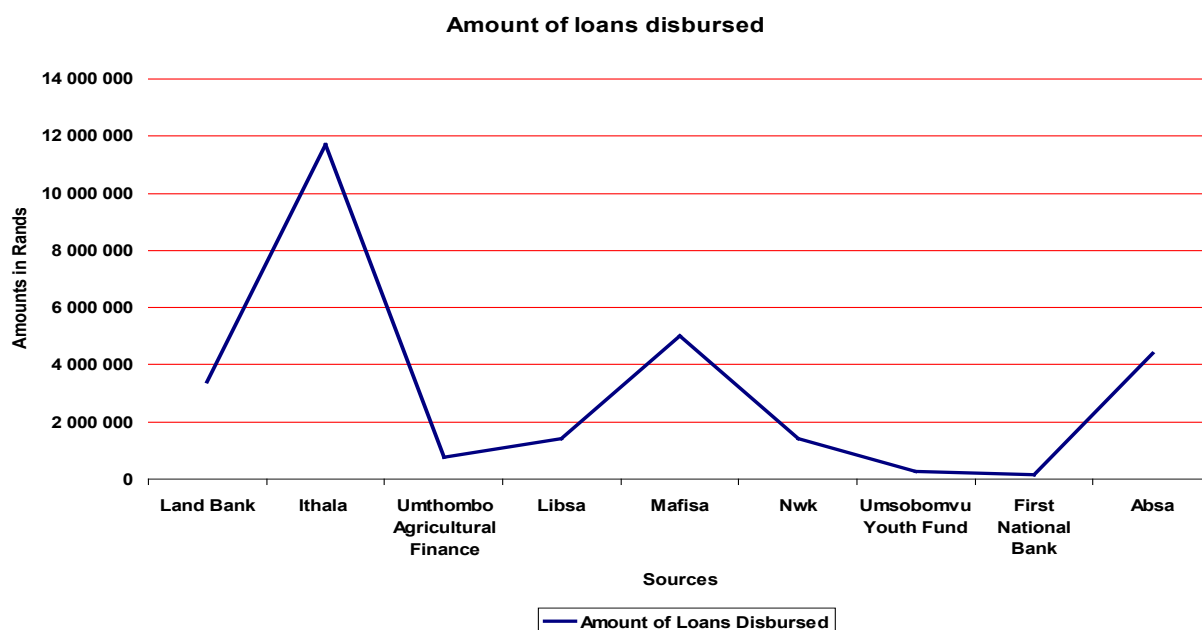
Sources of loans	Number of co-ops	Amount of loan
Land Bank	7	3'400'000
Ithala	23	11 696 420
Umthombo Agricultural Finance	1	780 000
Limpopo Business Support Agency (Libsa)	1	1'375'028
Micro-agricultural Financial Institutions of South Africa (Mafisa)	13	4 758 881
Noordwes Kooperasie (Nwk)	2	1'420'000
National Youth Development Agency (NYDA)	1	266 000
First National Bank	1	144 000
ABSA	2	4,405,000
Total	50	28 245 329

Table 20: Breakdown of sources of loans to cooperatives and amounts thereof in all the provinces

Table 20 indicates that the total of R28 m was advanced to 50 agricultural co-operatives across the provinces in the form of loans. This number reflects an average of 6% of the total number of cooperatives profiled and captured on Codas. Of the 50 cooperatives funded through loans, 23 were funded by Ithala Bank in KwaZulu-Natal to the amount of about R11 m. This amount represents 49% of the total loans advanced to cooperatives. Thirteen (13) cooperatives were assisted with production loans from ISA)Mafisa. This is mainly through the Eastern Cape Rural Finance Corporation, commonly known as Uvimba.

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Other role players in so far as loans are concerned include the commercial banks Absa and FNBb, the Umsobomvu Youth Fund (NYDA), Noordwes Kooperasie, Limpopo Business Support Agency, etc.



Graph 9: Indications of institutions granting loans to co-operatives

7.8.5. BREAKDOWN OF SOURCES OF LOANS TO AGRICULTURAL COOPERATIVES ACCORDING TO PROVINCES

7.8.5.1. FREE STATE

Sources of loans	Amount of loan	Number of co-ops
Land Bank	100 000	1
Total	100 000	1

Table 21: Sources of loans to cooperatives in the Free State Province

7.8.5.2. EASTERN CAPE

Sources of loans	Amount of loan	Number of co-ops
Micro-agricultural Financial Institutions of South Africa (Mafisa)	3 425 881	10
Totals	3 425 881	10

Table 22: Sources of loans to cooperative in the Eastern Cape

7.8.5.3. NORTH WEST

Sources of loans	Amount of loan	Number of co-ops
Nwk	1'420'000	2
Land Bank	3'000'000	2
Dept of Agriculture (Mafisa)	541 000	2
Umsobomvu Youth Fund	266 000	1
First National Bank	144 000	1
Department of Social Development	86 000	1
Total	5'457'000	9

Table 23: Sources of loans to cooperatives in the North West Province

7.8.5.4. GAUTENG

Sources of loans	Amount of loan	Number of co-ops
Land Bank	200 000	1
Absa	5000	1
Total	205 000	2

Table 24: Sources of loans to cooperatives in Gauteng

7.8.5.5. KWAZULU-NATAL

Sources of loans	Amount of loan	Number of co-ops
Department of Agriculture (Mafisa)	792 000	1
Ithala	11 696 420	23
Umthombo Agricultural Finance	780 000	1
Land Bank	25 000	1
Total	13 293 420	26

Table 25: Sources of loans to cooperatives in KwaZulu-Natal

7.8.5.6. LIMPOPO

Sources of loans	Amount of loan	Number of co-ops
Land Bank	75 000	3
Absa	4'400'000	1
Total	4'475'000	4

Table 26: Sources of loans to cooperatives in Limpopo

7.8.5.7. MPUMALANGA

Sources of loans	Amount of loan	Number of co-ops
Others	1'375'028	1
Total	1'375'028	1

Table 27: Sources of loans to agricultural cooperatives in Mpumalanga

7.9. Consolidated loan funding in all the provinces

Name of province	Amount of Loan
Free State	100,000
North West	5,457,000
Mpumalanga	1,375,028
Limpopo	4,475,000
Northern Cape	0
Western Cape	0
Eastern Cape	3, 425,881
Gauteng	205,000
KwaZulu-Natal	13,293,420
Total	28,245,329

Table 28: Total amount of loans per province

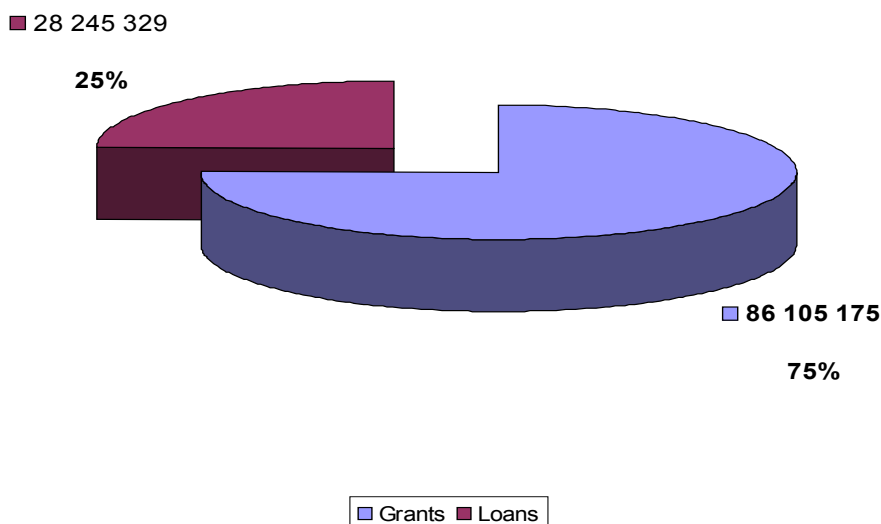
7.10. Comparison between loans and grants disbursed to cooperatives

Name of province	Amount of grants	Amount of loans
Free State	5,589,497	100,000
North West	8,322,731	5,457,000
Mpumalanga	4,344,389	1,375,028
Limpopo	36,763,766	4,475,000
Northern Cape	118,950	0
Western Cape	500,000	0
Eastern Cape	7,013,957	3,425,881
Gauteng	920,000	205,000
KwaZulu-Natal	22,531,875	13,293,420
Total	86,105,175	28,245,329

Table 29: Grant vs loan funding

The table above compares the two main sources of funding for agricultural cooperatives viz. grants and loans. According to the table above the total of over R114 m was granted to cooperatives in the form of grants and loans. Seventy five per cent (75%) of this figure is made up of grants and the remaining twenty five per cent (25%) is loans. This information is graphically presented below in Graph 11.

Comparison between grants and loans



Graph 10: Grant vs loans

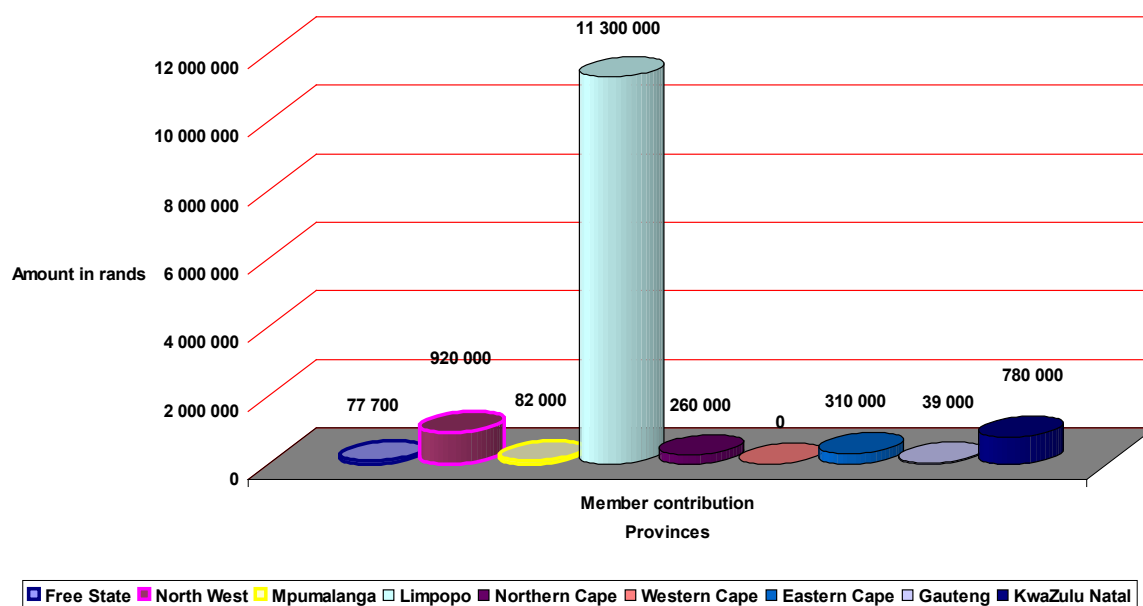
7.11. Equity in cooperatives/Member contributions/Membership fees

Name of province	Number of cooperatives	Member contributions
Free State	25	77 790
North West	66	920 734
Mpumalanga	101	82 880
Limpopo	127	1 133 179
Northern Cape	40	263 060
Western Cape	4	0
Eastern Cape	106	318 790
Gauteng	36	39 205
KwaZulu-Natal	306	784 130
Total	811	3 619 768

Table 30: Equity/Members' contribution to agricultural cooperatives

Table 30 indicates the total collective contributions towards cooperatives by members-what is termed "equity". The table indicates that of the 836 cooperatives profiled and captured on Codas, the total amount contributed by member's amount to R3,6 m. The largest figure is the contribution by members of cooperatives in Limpopo with R1,1 m, representing an average of 31% of the total equity in agricultural cooperatives, followed by the North West Province with a contribution of R920 000, representing about 25% of the total contribution.

Membership contribution in cooperatives



Graph 11: Analysis of members' contributions according to provinces

7.12. Compliance in agricultural cooperatives

Five key compliance areas in cooperatives have been identified for the purposes of this report and compliance in cooperatives is measured, using the following variables of which some of them are legislative and regulatory in nature while others are norms in business enterprises:

- Accounting and Bookkeeping : 197 co-ops comply
- Annual Financial Audit : 142 co-ops comply
- Vat Compliance : 145 co-ops comply
- Profit Tax Compliance, and : 145 co-ops comply
- Cooperative Principles : 162 co-ops comply

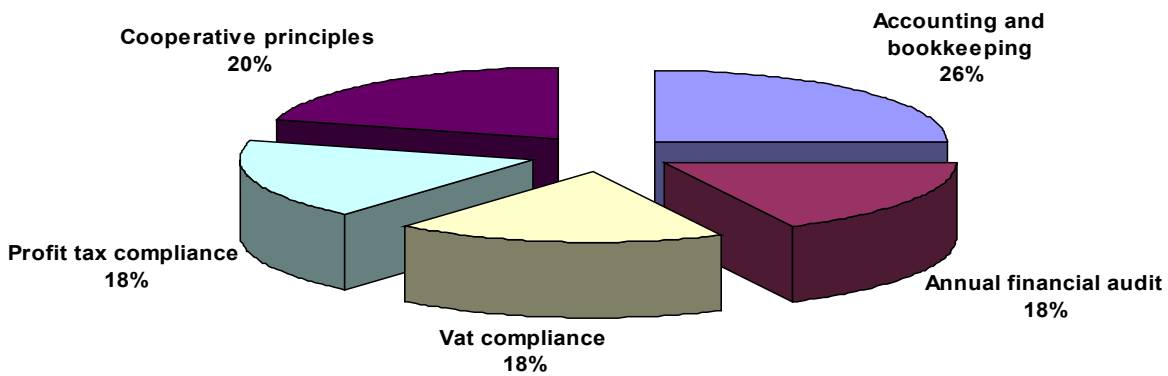
In terms of the table below compliance in terms of the above variable ranges from 18% to 26% of the total cooperatives captured on Codas. This is an indication that in general there is a low level of compliance by agricultural cooperatives. This further calls for continuous and aggressive educational and awareness campaigns to improve compliance levels by cooperatives. Very few cooperatives are submitting financial returns to the Companies and Intellectual Property Commission, hence the 18% Annual Finance Audit.

Province	Number of co-ops	COMPLIANCE VARIABLES				
		Accounting and Bookkeeping	Annual Financial Audit	Vat Compliance	Profit Tax Compliance	Co-operative Principles
Free State	25	9	6	7	6	6
North West	66	8	8	8	6	9
Mpumalanga	101	64	59	57	56	56
Limpopo	128	37	27	25	35	36
Northern Cape	40	5	1	4	0	1
Western Cape	29	3	3	3	3	3

Eastern Cape	106	15	11	11	11	7
Gauteng	36	9	2	3	3	13
KwaZulu-Natal	306	47	25	27	25	31
Total	836	197	142	145	145	162

Table 31: Breakdown of compliance levels by cooperatives in terms of the identified five key learning areas.

Compliance levels in agricultural cooperatives



■ Accounting and Bookkeeping ■ Annual Financial Audit ■ Vat Compliance ■ Profit Tax Compliance ■ Cooperative Principles

Graph 12: Percentage of cooperative compliance

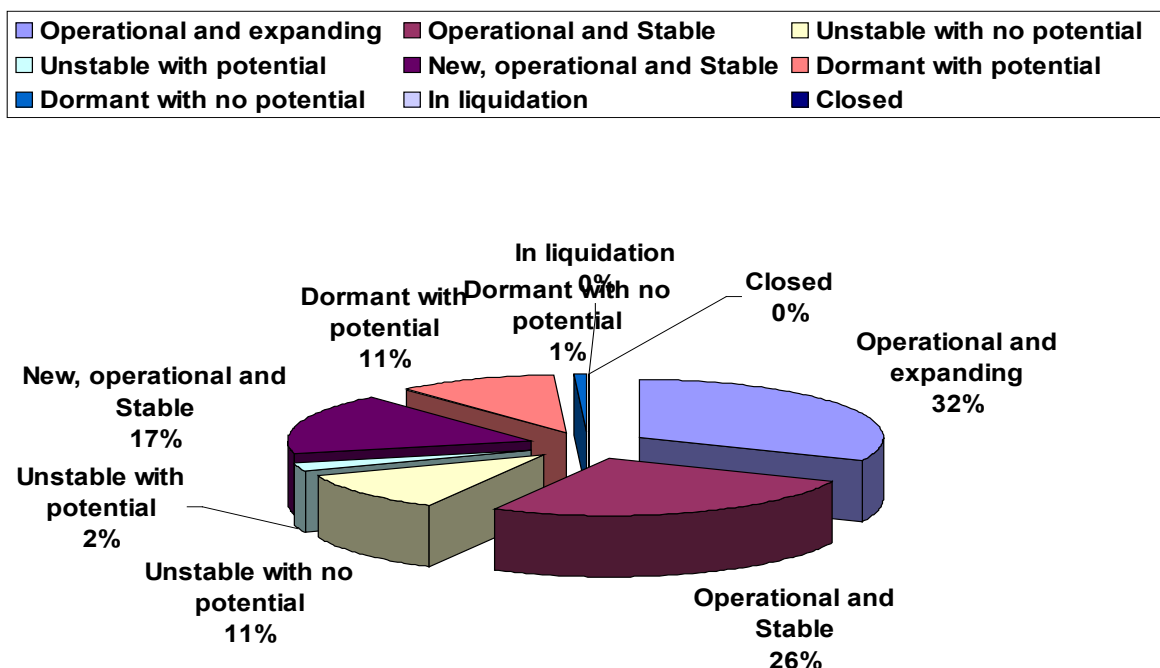
7.13. Analysis of cooperatives in terms of their operational status

Province	No. of co-ops	Status								
		A	B	C	D	E	F	G	H	I
F.S.	25	4	6	6	2	4	3	0	0	0
NW	66	23	12	2	1	19	9	0	0	0
MP	101	22	39	22	1	13	4	0	0	0
LP	127	68	19	9	6	23	1	1	0	0
NC	40	11	15	6	2	1	2	3	0	0
WC	29	3	25	1	0	0	0	0	0	0
EC	106	40	29	15	3	15	4	0	0	0
GP	36	18	0	4	0	8	3	3	0	0
KZN	306	77	93	25	5	56	50	0	0	0
Total	836	266	238	90	20	139	76	7	0	0

Table 32: Operational status of cooperative

- 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

Operational status of co-operatives



Graph no 13: Operational status of cooperatives

Of the 836 co-operatives captured on the Co-operative Data Analysis System (Codas), 266 co-operatives representing 31%, fall within the category of operational and expanding. Twenty seven percent (28%) amounting to 238 co-operatives fall within the category of operational and stable. The new and stable category constitutes 16% (139) of the total co-operatives surveyed. There are no co-operatives under liquidation.

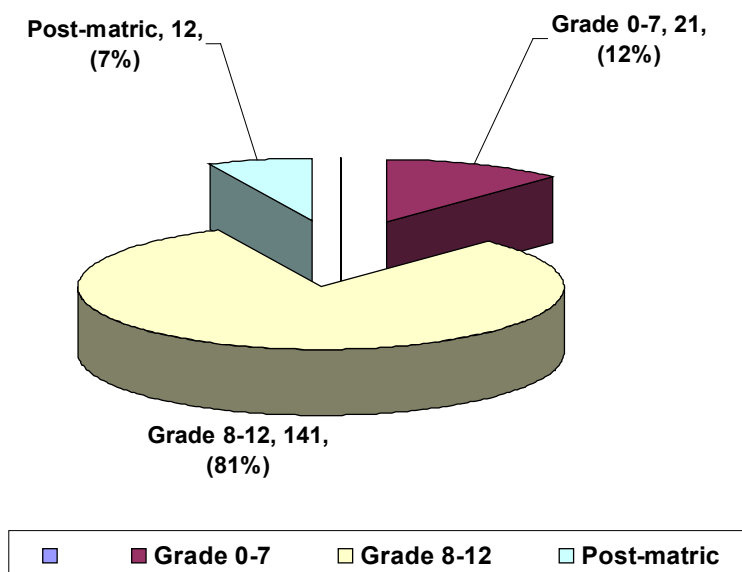
7.14. Educational levels of managers in cooperatives

One of the causes of poor performance or failures in cooperatives can be attributed to lack of both technical and business skills in cooperatives. This was confirmed by the outcome of the Baseline study conducted by the Department of Trade and Industry in 2009. The majority of members of cooperatives are elderly, often with very little or no formal educational background. The table below illustrates the level of education in co-operatives in relation to managers of these cooperatives.

Level of education	Grade 0-7	Grade 8-12	Post matric
Number of managers	21	141	12

Table no. 33

Educational levels of managers inco-operatives



Graph no. 14: Educational level in cooperatives (managers)

The graph above indicates that there are 21 cooperative managers with primary or no formal education at all. The bulk of cooperative managers are those with at least secondary education viz. between Grade 8 and Grade 12. Only seven per cent (7%) of all the managers in cooperatives have post-matric qualifications. This translates into 12 managers in total. This is clearly indicative of the low levels of formal education in co-operatives.

8. GENERAL CHALLENGES FACING AGRICULTURAL COOPERATIVES

The foregoing analyses indicate that cooperatives in the sector have not yet reached a stage in which they can significantly contribute towards the CRDP. This could be attributed to numerous challenges and the following could be deduced from this report:

8.1. Lack of access to finance has been identified as one of the key constraints limiting the ability of cooperatives to reduce poverty and create jobs. Members of cooperatives, particularly in the rural areas, have the business ideas but lack the funds to implement their ideas.

8.2. Lack of capacity in cooperatives is also a limiting factor in cooperatives. Many co-operatives suffer from weak management, poor governance and business skills. The low literacy levels of members of cooperatives compound this problem, resulting in co-operatives being unable to effectively and efficiently manage their business enterprises.

8.3. Elite capture and male domination are also common challenges facing agricultural cooperatives. Although the report indicates that in comparison, female members are in the majority, males still dominate when it comes to managerial and leadership roles.

8.4. Inability by cooperatives to scale up their business activities and expand market access. Most of agricultural cooperatives are unable to create economies of scale owing to weak capacity, poor access to finance and lack of information and linkages.

8.5. Lack of access to markets and agro-processing opportunities by smallholder farmer cooperatives has also been found to be a limiting factor. These cooperatives are unable to secure tangible markets as a result of, among others, small volumes of produce and poor quality.

9. RECOMMENDATIONS ON INTERVENTION MEASURES TO BE IMPLEMENTED

In order to correct the above situation the following interventions are recommended:

9.1. Government in particular DAFF should enhance access to finance to agricultural cooperatives. This could be done in many ways of which one could be the establishment of a cooperative development fund in the sector. The other option would be to engage commercial banks to increase lending to cooperatives on good terms and possibly influence them to offer lower interest rate loans to cooperatives.

9.2. Make adequate funds available for implementation of the cooperative capacity- building programme in the provinces over the years for wider coverage. This will enhance capacity in cooperatives and improve poor management ability, governance prowess and business skills in cooperatives.

9.3. Facilitate markets and value-adding opportunities through supply of adequate and relevant information, support to producer cooperatives with storage facilities, agro-processing facilities as well as creating market linkages. Production efficiency should be linked to working markets and agro-processing opportunities.

9.4. Embark on aggressive awareness and promotion campaigns, focusing on attracting and encouraging women and youth to become members of cooperatives. This will ensure that the will to produce in cooperatives is complemented by the energy to do so.

10. CONCLUSION

The 2010/11 report on the status of cooperatives in the sector provides a detailed overview and insight into the current status of agricultural cooperatives in the country and highlights some of the significant milestones achieved by DAFF in promoting and supporting agricultural co-operatives. While every care has been taken to ensure the accuracy of the information in this report, it is, however, not possible to guarantee total accuracy in an exercise that involves collection of data from multiple sources in provinces. In this case any correction, addition or deletion to our data is more than welcome.

This report draws on general trends in the cooperative movement within the sector based on data available on the Codas. Based on evidence from this report, it therefore becomes essential for agricultural cooperatives to attain their competitive advantage through professional management, operational and financial efficiency, high-quality products and competitive pricing. To overcome some of the obstacles inhibiting success, cooperatives must take steps to achieve economies of scale. Over the years smallholder cooperatives have been and are still suffering from small economies of scale, a characteristic that has also inhibited their capacity to address other obstacles to their evolutionary growth and independent businesses.

Capacity building is still a challenge. This is one of the key constraints limiting the ability of cooperatives to increase food production and achieve long-term food security. It also weakens the ability of members to manage their enterprises effectively. The fact that only 23% of the cooperatives that formed the basis of this report have received some form of capacity is a cause for concern. Coupled with this is the low number of co-operative managers with post-matric qualifications. The implementation of the Farmtogether Cooperative Training will with no doubt attempt to remedy most of the challenges facing agricultural cooperatives. In the long run this will ensure that cooperatives in the sector are able to optimise their performance, thereby creating job opportunities and reducing poverty.

